# CINCINNATI COLLEGE PREPARATORY ACADEMY
# HAMILTON COUNTY

## SINGLE AUDIT

## FOR THE YEAR ENDED JUNE 30, 2015

**CINCINNATI COLLEGE PREPARATORY ACADEMY**
**HAMILTON COUNTY**

## TABLE OF CONTENTS

**This page intentionally left blank.**

**INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the West End Cincinnati Victory Partners, LLC (LLC), a joint venture in which the Academy has an equity interest; the Academy reports their portion of the LLC Members' Capital as an Investment in LLC, and the change in Members' Capital as an Increase (Loss) on Investment in LLC on the accompanying financial statements. This investment in LLC balance represents 13.5 percent of total assets and the Loss on Investment in LLC represents 33.2 percent of total non-operating expenses. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amount included for the Investment in LLC and the Loss on Investment in LLC, is based solely on the report of other auditors. 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. The other auditors audited the financial statements of the West End Cincinnati Victory Partners, LLC in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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 Academy'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 Academy's internal control. Accordingly, we express no such 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 overall financial statement presentation.

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

***Opinion***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati College Preparatory Academy, Hamilton County as of June 30, 2015, and the changes in its 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 17 to the financial statements, during the year ended June 30, 2015, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

***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*, and schedules of net pension liabilities and pension contributions 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 and the other auditors 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*

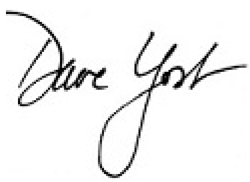
Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards 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 not a required part of the financial statements.

This schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Receipts and Expenditures of Federal Awards 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 22, 2017, 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. 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 Academy's internal control over financial reporting and compliance.



**Dave Yost**
Auditor of State

Columbus, Ohio

May 22, 2017

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, 2015. 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 2015 net position was ($255,562) although the result of implementing *GASB 68 Accounting and Financial Reporting for Pension* reduced the Academy's net position by $7,272,614 at June 30, 2015.

- The Academy derived 96 percent of their revenues through federal and state programs.

- Salaries and benefits accounted for 60 percent of the $7,051,996 in operating expenses for fiscal year 2015.

- The Academy saw the non-pension related long term liabilities decrease by $1,226,409 in fiscal year 2015 as the Academy paid off the remaining three debt obligations and a capital lease payable.

- The Academy saw the cash increase by $190,000 during the fiscal year and finished the year with over $1 million in the cash balance.

## 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 position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position presents information on all the Academy's assets, deferred outflows, liabilities and deferred inflows, with the difference between these reported as net position. Over time, increases or decreases in net position 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 position presents information showing how the Academy's net position 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.

Table 1 provides a summary of the Academy's net position for fiscal year 2014 compared to fiscal year 2015.

**Table 1**
**Net position**

| | 2015 | Restated 2014 | Change |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $1,253,535 | $1,075,916 | $177,619 |
| Investment in LLC | 1,016,370 | 1,075,707 | (59,337) |
| Capital assets, net | 5,267,554 | 6,049,450 | (781,896) |
| *Total assets* | 7,537,459 | 8,201,073 | (663,614) |
| **Deferred Outflows – Pension** | 503,357 | 401,961 | 101,396 |
| **Liabilities** | | | |
| Current liabilities | 641,102 | 1,107,501 | (466,399) |
| Long term liabilities | | | |
| Other Long term liabilities | 21,113 | 1,247,522 | (1,226,409) |
| Net Pension Liability | 6,458,506 | 7,674,575 | (1,216,069) |
| *Total liabilities* | 7,120,721 | 10,029,598 | (2,908,877) |
| **Deferred Inflows – Pension** | 1,175,657 | 0 | 1,175,657 |
| **Net position** | | | |
| Net investment in capital assets | 5,233,143 | 4,622,780 | 610,363 |
| Unrestricted | (5,488,705) | (6,049,344) | 560,639 |
| *Total net position* | ($255,562) | ($1,426,564) | $1,171,002 |

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $5,846,050 to ($1,426,564).

The Academy saw current assets increase as the Academy as the cash balance increased over $190,000 with the increased state foundation revenue. The Academy saw the capital assets decrease as the Academy sold a building to the CCPA East for $600,000 along with the current year depreciation exceeded the $97,103 of current year additions.

The current liabilities dropped significantly as the amount reported for accounts payables decreased with the Academy paying down significant past due vendors. The long term liabilities decreased as the Academy paid off the remaining mortgage related debt obligations for just over $1.3 million.

Table 2 shows the change in net position for the year ended 2015 compared to fiscal year 2014.

**Table 2**
**Change in Net position**

| | 2015 | 2014 | Change |
|---|---|---|---|
| **Revenues** | | | |
| Operating revenues: | | | |
| Foundation payments | $6,483,124 | $6,030,980 | $452,144 |
| Rental | 160,554 | 159,705 | 849 |
| Classroom fees | 2,484 | 6,669 | (4,185) |
| Charges for services | 11,992 | 11,514 | 478 |
| Other operating revenues | 2,519 | 22,430 | (19,911) |
| Non-operating revenues: | | | |
| Gain on Investment in LLC | 0 | 176,792 | (176,792) |
| Gain on the sale of assets | 149,330 | 0 | 149,330 |
| Federal and state grants | 1,591,464 | 1,692,317 | (100,853) |
| Total revenues | 8,401,467 | 8,100,407 | 301,060 |

| | 2015 | 2014 | Change |
|---|---|---|---|
| **Expenses** | | | |
| Operating expenses: | | | |
| Salaries | $3,395,835 | $3,072,104 | $323,731 |
| Fringe benefits | 828,107 | 875,049 | (46,942) |
| Purchased services | 1,900,212 | 1,345,695 | 554,517 |
| Materials and supplies | 533,935 | 144,036 | 389,899 |
| Depreciation | 358,860 | 421,093 | (62,233) |
| Other expenses | 35,047 | 30,505 | 4,542 |
| Non-Operating Expenses: | | | |
| Loss in Investment in LLC | 59,337 | 0 | 59,337 |
| Interest and fiscal charges | 119,132 | 131,066 | (11,934) |
| Total Expenses | 7,230,465 | 6,019,548 | 1,210,917 |
| Change in Net position | 1,171,002 | 2,080,859 | ($909,857) |
| Beginning Net position - restated | (1,426,564) | NA | |
| Ending Net position | ($255,562) | ($1,426,564) | |

The Academy saw total revenues increase from 2014 to 2015 mainly from the increased in foundation revenue as the FTE counts rose from 909 in fiscal year 2014 to 953 in fiscal year 2015. The Academy recognized a decrease in federal and state grants in fiscal year 2015 partially because of the prior year receivable reduced this year's cash basis amount. The Academy also saw total expenses increase by over 13 percent as the Academy increased services provided with the additional students. The decrease in fringe benefits is misleading as the deferral of certain items related to the net pension amounts reduced it by $141,808 for the year.

## Capital Assets

At the end of 2015, the Academy had $5,267,554 (net of $2,908,523 in accumulated depreciation) invested in land, buildings, building improvements, furniture, and equipment. Table 3 shows the fiscal year 2015 balances compared to fiscal year 2014:

Table 3
Capital Assets at June 30 (net)

| | 2015 | 2014 | Change |
|---|---|---|---|
| Building and Improvements | $5,021,278 | $5,805,698 | ($784,420) |
| Furniture and Equipment | 238,728 | 243,752 | (5,024) |
| Vehicles | 7,548 | 0 | 7,548 |
| Totals | $5,267,554 | $6,049,450 | ($781,896) |

The decrease in building and improvements relates to the Academy's sale of a building during the year. For more information on the Academy's capital assets refer to note 5 of the notes to the financial statements.

**Debt**

At June 30, 2015, the Academy had paid off the remaining two building loans, bramble payable and a capital lease from fiscal year 2014. For more information on the Academy's debt refer to Noted 7 and 8 of the notes to the financial statements.

**Current Financial Issues**

The Academy continues to increase enrollment annually. The Academy received funding in 2015 based on 953 FTE students, an increase from the final 2014 foundation report. The Academy receives its finances mostly from state aid. As of the November 2015 foundation report, the Academy is now being funded at 981 FTE students resulting in an additional $452,144 of state foundation revenue.

**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 Academy Treasurer, Doug Mangen, 6640 Poe Avenue, Suite 400, Dayton, Ohio 45414 or by calling (937) 264-8588.

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

**As of June 30, 2015**

| | |
|---|---|
| **Assets:** | |
| Current assets: | |
| Cash and cash equivalents | $ 1,050,449 |
| Intergovernmental receivable | 203,086 |
| Total current assets | 1,253,535 |
| | |
| Noncurrent assets: | |
| Investment in LLC | 1,016,370 |
| Depreciable Capital assets | 5,267,554 |
| Total noncurrent assets | 6,283,924 |
| | |
| **Total Assets** | 7,537,459 |
| | |
| **Deferred Outflows of Resources:** | |
| Pension | 503,357 |
| | |
| **Total Deferred Outflows of Resources:** | 503,357 |
| | |
| **Liabilities:** | |
| Current liabilities | |
| Accounts payable | 174,534 |
| Accrued wages and benefits payable | 369,854 |
| Intergovernmental | 83,416 |
| Lease payable - Current | 13,298 |
| Total current liabilities | 641,102 |
| | |
| Long-Term Liabilities | |
| Lease payable | 21,113 |
| Net Pension Liability | 6,458,506 |
| Total long-term liabilities | 6,479,619 |
| | |
| **Total Liabilities** | 7,120,721 |
| | |
| **Deferred Inflows of Resources:** | |
| Pension | 1,175,657 |
| | |
| **Total Deferred Inflows of Resources:** | 1,175,657 |
| | |
| **Net Position** | |
| Net investment in capital assets | 5,233,143 |
| Unrestricted | (5,488,705) |
| | |
| **Total Net Position** | $ (255,562) |

See accompanying notes to the basic financial statements

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

**For the Fiscal Year Ended June 30, 2015**

| | | |
|---|---|---|
| **Operating Revenues:** | | |
| Foundation payments | $ | 6,483,124 |
| Rental | | 160,554 |
| Classroom fees | | 2,484 |
| Charges for services | | 11,992 |
| Other operating revenues | | 2,519 |
| **Total operating revenues** | | 6,660,673 |
| **Operating Expenses:** | | |
| Salaries | | 3,395,835 |
| Fringe benefits | | 828,107 |
| Purchased services | | 1,900,212 |
| Materials and supplies | | 533,935 |
| Depreciation | | 358,860 |
| Other operating expenses | | 35,047 |
| **Total operating expenses** | | 7,051,996 |
| Operating Income | | (391,323) |
| **Non-Operating Revenues and Expenses:** | | |
| Federal grants | | 1,479,739 |
| State grants | | 111,725 |
| Loss on Investment in LLC | | (59,337) |
| Gain on sale of capital assets | | 149,330 |
| Interest and fiscal charges | | (119,132) |
| **Total non-operating revenues and expenses** | | 1,562,325 |
| **Change in net position** | | 1,171,002 |
| Net position at beginning of year - restated | | (1,426,564) |
| Net position at end of year | $ | (255,562) |

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, 2015**

**Decrease in cash and cash equivalents**

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Cash received from State of Ohio - Foundation | $ 6,459,259 |
| Cash received from rental activity | 165,054 |
| Cash received from materials and fees and other charges for services | 14,629 |
| Cash received from other operating revenues | 15,718 |
| Cash payments for personal services | (4,304,290) |
| Cash payments for contract services | (2,359,524) |
| Cash payments for supplies and materials | (439,802) |
| Cash payments for other expenses | (36,307) |
| Net cash used for operating activities | (485,263) |
| **Cash flows from noncapital financing activities:** | |
| Cash received from state and federal grants | 1,619,264 |
| **Cash flows from capital and related financing activities:** | |
| Acquisition of Capital Assets | (97,103) |
| Proceeds from sale of assets | 669,469 |
| Principal paid on debt obligations | (1,392,259) |
| Interest paid on debt obligations | (123,799) |
| Net cash used by capital and related financing activities | (943,692) |
| **Cash flows from investing activities:** | |
| Net change in cash and cash equivalents | 190,309 |
| Cash and Cash Equivalents at beginning of year | 860,140 |
| Cash and Cash Equivalents at end of year | 1,050,449 |

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

| | |
|---|---|
| Operating loss | (391,323) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | |
| Depreciation | 358,860 |
| Change in assets and liabilities: | |
| Decrease in accounts receivable | 4,653 |
| Increase in intergovernmental receivable | (19,763) |
| Decrease in accounts payable | (116,427) |
| Decrease in accounts payable due to CCPA East | (250,000) |
| Increase in accrued wages and benefits | 50,748 |
| Decrease Net Pension Liability | (1,216,069) |
| Change in Deferred Outflows/Inflows | 1,074,261 |
| Increase in intergovernmental payable | 19,797 |
| Net cash used for operating activities | $ (485,263) |

See accompanying notes to the basic financial statements

## 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 kindergarten through twelfth. 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 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 two instructional/support facilities staffed by certified full time teaching personnel who provide services to 953 funded 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. Following are the more significant of the Academy’s accounting policies.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### A. Basis of Presentation

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

### B. Measurement Focus and Basis of Accounting

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

## 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:

| Description | Estimated Lives |
|---|---|
| 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, 2015 totaled $8,074,588.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### G. Net position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets 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 position is 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. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position 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.

### 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. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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. For the Academy, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

## 3. DEPOSITS AND INVESTMENTS

At June 30, 2015, the carrying amount of the Academy's deposits was $1,050,449 and the bank balance was $1,152,200. $902,200 of the bank balance was not 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.

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, 2015, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considers collectable in full. A summary of the principal items of receivables follows:

| Intergovernmental | Amount |
|---|---|
| SERS Refund | $9,097 |
| Final 2015 Foundation Payment | 23,865 |
| Federal Subsidy Food Service | 47,389 |
| Title VI-B Grant | 15,245 |
| Title I Grant | 107,235 |
| Reducing Class Size Grant | 255 |
| | $203,086 |

## 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015:

| | Balance 6/30/14 | Additions | Deductions | Balance 6/30/15 |
|---|---|---|---|---|
| Capital Assets Being Depreciated | | | | |
| Building and Improvements | $7,531,816 | $0 | ($600,000) | $6,931,816 |
| Furniture and Equipment | 1,068,080 | 97,103 | 0 | 1,165,183 |
| Vehicles | 134,118 | 0 | (55,040) | 79,078 |
| Total Capital Assets Being Depreciated | 8,734,014 | 97,103 | (655,040) | 8,176,077 |
| Less Accumulated Depreciation | | | | |
| Building and Improvements | (1,726,118) | (256,025) | 71,605 | (1,910,538) |
| Furniture and Equipment | (824,328) | (102,127) | 0 | (926,455) |
| Vehicles | (134,118) | (708) | 63,296 | (71,530) |
| Total Accumulated Depreciation | (2,684,564) | (358,860) | 134,901 | (2,908,523) |
| Capital Assets, Net | $6,049,450 | ($261,757) | ($520,139) | $5,267,554 |

## 6. INVESTMENT IN LIMITED LIABLITY COMPANY (LLC)

West End Cincinnati Victory Partners, LLC, Inc. (Company) is an Ohio limited liability company organized in 2005 under the laws of the State of Ohio to acquire, develop, and improve real estate located in Cincinnati, Ohio for the functional use of its members. The Company was formed by the Academy and the Young Men's Christian Association of Greater Cincinnati (YMCA). Both members are tax-exempt organizations under Section 501 (c) (3) of the Internal Revenue Code.

Based on the Company's operating agreement and the initial capital contributions, CCPA has 75 membership units and the YMCA has 25 membership units. Additional capital contributions were required under the operating agreement to fund the development and improvements to the real estate. Annually, the members, subject to mutual agreement, contribute additional capital to the Company based on operation needs in proportion to their membership units.

The Company will continue to operate until the sale or disposition of the assets of the Company unless terminated earlier according to the terms of the operating agreement.

The Academy accounts for the Company as an equity interest in a joint venture. The Academy's equity interest in the Company is reported in the statement of net position, and the Academy's share of the Company's change in net position is reported in the statement or revenues, expenses and changes in net position.

The YMCA is the managing partner of the Company. The Academy has reported an accounts payable of $28,151 for their respective share of obligations paid by the YMCA during the year. The Academy also initially funded the Company through an entity contribution of $750,750 and seen the balance grow to $1,450,750. The Academy also has an operating deficit of ($434,380) resulting in an investment of $1,016,370.

## 7. DEBT

The Academy has the following outstanding long term obligations as of June 30, 2015.

| | Description | Restated Balance 06/30/14 | Additions | Deletions | Balance 06/30/15 | Due Within One Year |
|---|---|---|---|---|---|---|
| (a) | Building Loan | $646,914 | $0 | $646,914 | $0 | $0 |
| (b) | Building Loan | 624,155 | 0 | 624,155 | 0 | 0 |
| (c) | Bramble Payable | 100,000 | 0 | 100,000 | 0 | 0 |
| (d) | Capital Lease | 55,601 | 0 | 21,190 | 34,411 | 13,298 |
| | Net Pension Liability | | | | | |
| | SERS | 1,362,027 | 0 | 202,869 | 1,159,158 | 0 |
| | STRS | 6,312,548 | 0 | 1,013,200 | 5,299,348 | 0 |
| | Total | $9,101,245 | $0 | $2,608,328 | $6,492,917 | $13,298 |

(a) 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. The Academy paid off the balance from surplus revenues.

(b) 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. The Academy paid off the balance from surplus revenues.

(c) 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. The Academy made the final principal payment of $100,000 during the fiscal year.

(d) In July 2011, the Academy entered into a capital lease with Hewlett-Packward for the purchase of computer equipment. The lease is for five years and carries an implicit interest rate of 4.94%. The Academy also has a capital lease with US Bank Equipment Finance for copiers and computer equipment.

## 8. CAPITAL LEASES PAYABLE

In prior years, the Academy entered into a capital lease for apple computers and other equipment totaling $208,866. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenses on the financial statements. These expenses are reflected as program expenses on a budgetary basis. Principal payments in fiscal year 2015 totaled $21,190 and interest payments of $56.

The following is a schedule of the future minimum lease payments required under the capital leases as of June 30, 2015:

| | Capital Leases Payable | | |
|---|---|---|---|
| Fiscal Year Ending June 30, | Principal | Interest | Total |
| 2016 | $13,298 | 0 | $13,298 |
| 2017 | 13,298 | 0 | 13,298 |
| 2018 | 7,815 | 0 | 7,815 |
| Totals | $34,411 | $0 | $34,411 |

## 9. 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 2015, 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.

## 10. DEFINED BENEFIT PENSION PLANS

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

**10. DEFINED BENEFIT PENSION PLANS** (continued)

Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|---|---|---|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

**10. DEFINED BENEFIT PENSION PLANS** (continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $103,615 for fiscal year 2015. Of this amount $12,564 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**10. DEFINED BENEFIT PENSION PLANS** (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**10. DEFINED BENEFIT PENSION PLANS** (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $334,821 for fiscal year 2015. Of this amount $37,194 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net Pension Liability | $1,159,158 | $5,299,348 | $6,458,506 |
| Proportion of the Net Pension Liability | 0.022904% | 0.0217870% | |
| Pension Expense | $68,168 | $244,825 | $312,993 |

**10. DEFINED BENEFIT PENSION PLANS** (continued)

At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $9,866 | $51,018 | $60,884 |
| Difference between School District contributions and proportionate share of contributions | 4,825 | 0 | 4,825 |
| School District contributions subsequent to the measurement date | 102,827 | 334,821 | 437,648 |
| Total Deferred Outflows of Resources | $117,518 | $385,839 | $503,357 |
| **Deferred Inflows of Resources** | | | |
| Net difference between projected and actual earnings on pension plan investments | $188,135 | $980,399 | $1,168,534 |
| Difference between School District contributions and proportionate share of contributions | 0 | 7,123 | 7,123 |
| Total Deferred Inflows of Resources | $188,135 | $987,522 | $1,175,657 |

$437,648 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2016 | ($43,799) | ($234,126) | ($277,925) |
| 2017 | (43,799) | (234,126) | (277,925) |
| 2018 | (43,799) | (234,126) | (277,925) |
| 2019 | (42,047) | (234,126) | (276,173) |
| Total | ($173,444) | ($936,504) | ($1,109,948) |

**10. DEFINED BENEFIT PENSION PLANS** (continued)

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**10. DEFINED BENEFIT PENSION PLANS** (continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | 15.00 | 7.50 |
| Total | 100.00 % | |

***Discount Rate*** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**10. DEFINED BENEFIT PENSION PLANS** (continued)

***Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|---|---|---|
| Academy's proportionate share of the net pension liability | $1,653,774 | $1,159,158 | $743,142 |

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years; one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**10. DEFINED BENEFIT PENSION PLANS** (continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | |

***Discount Rate*** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

***Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|---|---|---|
| Academy's proportionate share of the net pension liability | $7,586,371 | $5,299,348 | $3,365,008 |

## 11. POSTEMPLOYMENT BENEFITS

### A. School Employee Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Academy's surcharge obligation was $0.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $6,463, $762, and $1,113, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

## 11. POSTEMPLOYMENT BENEFITS (continued)

### B. State Teachers Retirement System

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $16,345, and $22,466 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

## 12. 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.

## 13. 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, 2015.

## 14. PURCHASED SERVICES

For the period July 1, 2014 through June 30, 2015, purchased service expenses were payments for services rendered by various vendors, as follows:

| | |
|---|---|
| Professional and Technical Services | $965,426 |
| Utilities | 152,469 |
| Food Service | 450,736 |
| Communications | 14,056 |
| Property Services | 152,428 |
| Other | 165,097 |
| Total Purchased | $1,900,212 |

## 15. 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 2014 and did not pay for use of the facilities.

Board Member Ron Gore was also on the YMCA Board.

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 has a 52% equity interest in the Company at June 30, 2015.

Twelve payments were made during the fiscal year to the YMCA for $103,556, of which Joe Calloway, Board Member, is the YMCA Executive Director.

## 16. JOINTLY GOVERNED ORGANIZATION

*Metropolitan Dayton Educational Cooperative Association* - The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The Academy made a total of $21,531 in payments to MDECA for fiscal and EMIS services provided during the fiscal year. Financial information can be obtained from Dean Reinke, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

## 17. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the Academy implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

| | |
|---|---|
| Net position June 30, 2014 | $5,846,050 |
| | |
| Adjustments: | |
| Net Pension Liability | (7,674,575) |
| Deferred Outflow - Payments Subsequent to Measurement Date | 401,961 |
| | |
| Restated Net Position June 30, 2014 | ($1,426,564) |

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Cincinnati College Preparatory Academy (the Academy)
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

| | 2014 | 2013 |
|---|---|---|
| The Academy's Proportion of the Net Pension Liability | 0.229040% | 0.229040% |
| The Academy's Proportion Share of the Net Pension Liability | 1,159,158 | 1,362,027 |
| The Academy's Covered-Employee Payroll | 544,023 | 703,367 |
| The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 213.07% | 193.64% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.70% | 65.52% |

(1) Information prior to 2013 is not available

Cincinnati College Preparatory Academy (the Academy)
Required Supplementary Information
Schedule of the Academy's Porportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

| | 2014 | 2013 |
|---|---|---|
| The Academy's Proportion of the Net Pension Liability | 0.00217870% | 0.00217870% |
| The Academy's Proportion Share of the Net Pension Liability | 5,299,348 | 6,312,548 |
| The Academy's Covered-Employee Payroll | 1,634,546 | 2,246,623 |
| The Academy's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 324.21% | 280.98% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 69.30% |

(1) Information prior to 2013 is not available

Cincinnati College Preparatory Academy (the Academy)
Required Supplementary Information
Schedule of the Academy's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually Required Contributions | $ 103,615 | $ 71,267 | $ 97,346 | $ 127,614 | $ 111,866 | $ 92,305 | $ 128,591 | $ 68,474 | $ 71,384 | $ 62,808 |
| Contributions in Relation to the Contractually Required Contribution | (103,615) | (71,267) | (97,346) | (127,614) | (111,866) | (92,305) | (128,591) | (68,474) | (71,384) | (62,808) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| The Academy Covered-Employee Payroll | $ 786,153 | $ 544,023 | $ 703,367 | $ 948,803 | $ 889,944 | $ 681,721 | $ 1,306,819 | $ 697,291 | $ 668,390 | $ 593,648 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.18% | 13.10% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% | 9.82% | 10.68% | 10.58% |

Cincinnati College Preparatory Academy (the Academy)
Required Supplementary Information
Schedule of the Academy's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually Required Contributions | $ 334,821 | $ 212,491 | $ 292,061 | $ 263,155 | $ 282,354 | $ 243,528 | $ 227,808 | $ 230,376 | $ 213,556 | $ 205,505 |
| Contributions in Relation to the Contractually Required Contribution | (334,821) | (212,491) | (292,061) | (263,155) | (282,354) | (243,528) | (227,808) | (230,376) | (213,556) | (205,505) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| The Academy Covered-Employee Payroll | $ 2,391,579 | $ 1,634,546 | $ 2,246,623 | $ 2,024,269 | $ 2,171,954 | $ 1,873,292 | $ 1,752,369 | $ 1,772,123 | $ 1,642,738 | $ 1,580,808 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**CINCINNATI COLLEGE PREPARATORY ACADEMY**
**HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**
**FOR THE YEAR ENDED JUNE 30, 2015**

| **FEDERAL GRANTOR**<br>***Pass Through Grantor***<br>**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 | 3L70 | 10.553 | 126,512 | 123,366 |
| National School Lunch | 3L60 | 10.555 | 331,998 | 323,744 |
| Total U.S. Department of Agriculture | | | **458,510** | **447,110** |
| **U.S. DEPARTMENT OF EDUCATION** | | | | |
| ***Passed Through Ohio Department of Education*** | | | | |
| Special Education - Grants to States | 3M20 | 84.027 | 131,134 | 133,109 |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 872,109 | 872,109 |
| Improving Teacher Quality State Grants | 3Y60 | 84.367 | 23,130 | 22,885 |
| Total U.S. Department of Education | | | **1,026,373** | **1,028,103** |
| **Total Federal Awards Receipts and Expenditures** | | | **$1,484,883** | **$1,475,213** |

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

# NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015

## Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures (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.

**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
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cincinnati College Preparatory Academy, Hamilton County, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 22, 2017, wherein we noted that the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our report refers to other auditors who audited the financial statements of the West End Cincinnati Victory Partners, LLC as it relates to the amount included for the Investment in LLC and the Loss on Investment in LLC as described in our report on the Academy's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. The financial statements of the West End Cincinnati Victory Partners, LLC were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Academy'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 Academy's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

***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, 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 2015-001.

***Academy's Response to Findings***

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

***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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy'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 22, 2017

**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
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board of Directors:

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

We have audited the Cincinnati College Preparatory Academy's (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Cincinnati College Preparatory Academy's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

As described in finding 2015-003 in the accompanying schedule of findings, the Academy did not comply with requirements regarding Cash Management and Reporting applicable to its Child Nutrition Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to this program.

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

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraph, the Cincinnati College Preparatory Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2015.

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

In our opinion, Cincinnati College Preparatory Academy complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2015.

***Report on Internal Control over Compliance***

The Academy'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 Academy'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 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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-003 to be a material weakness.

The Academy's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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

**Dave Yost**
Auditor of State

Columbus, Ohio

May 22, 2017

This page intentionally left blank.

**CINCINNATI COLLEGE PREPARATORY ACADEMY**
**HAMILTON COUNTY**

**SCHEDULE OF FINDINGS**
**OMB CIRCULAR A -133 § .505**
**JUNE 30, 2015**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| ***(d)(1)(i)*** | **Type of Financial Statement Opinion** | Unmodified |
| ***(d)(1)(ii)*** | **Were there any material control weaknesses reported at the financial statement level (GAGAS)?** | Yes |
| ***(d)(1)(ii)*** | **Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?** | No |
| ***(d)(1)(iii)*** | **Was there any reported material noncompliance at the financial statement level (GAGAS)?** | Yes |
| ***(d)(1)(iv)*** | **Were there any material internal control weaknesses reported for major federal programs?** | Yes |
| ***(d)(1)(iv)*** | **Were there any significant deficiencies in internal control reported for major federal programs?** | No |
| ***(d)(1)(v)*** | **Type of Major Programs' Compliance Opinion** | Unmodified - Title I<br>Qualified - Child Nutrition Cluster |
| ***(d)(1)(vi)*** | **Are there any reportable findings under § .510(a)?** | Yes |
| ***(d)(1)(vii)*** | **Major Programs (list):** | Title I: 84.010<br>Child Nutrition Cluster: 10.553, 10.555 |
| ***(d)(1)(viii)*** | **Dollar Threshold: Type A\B Programs** | Type A: > $ 300,000<br>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 2015-001

**Finding for Recovery Repaid Under Audit – Dad's Catering Improper Payments**

**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. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duty 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.

During fiscal year 2015, Doug Mangen, Treasurer, signed a check to Dad's Catering totaling $25,204. Guyton Mathews, Superintendent, reviewed and approved the invoice for payment. The vendor's invoice incorrectly reported the number of meals served, and incorrectly calculated the total amount for breakfast meals. The amount that the Academy actually owed was $21,179. This resulted in an overpayment to Dad's Catering in the amount of $4,025.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dad's Catering, in the amount of $4,025 and in favor of the Cincinnati College Preparatory Academy.

On May 15, 2017, Cincinnati College Preparatory Academy paid $32,492.65 in total on the May 10, 2017 invoice in the amount of $36,517.65 for services provided by Dad's Catering for the period April 20, 2017 to May 9, 2017. This credit of $4,025 repays the above finding in full.

**Officials' Response:**

Dad's Catering is a respectable business that recognized their duty to repay the Academy for the invoice error. The amount owed by Dad's Catering was fully paid prior to the conclusion of the FY15 audit. Steps have been taken by the Academy to ensure all invoices are double-checked for accuracy prior to authorizing payment.

### FINDING NUMBER 2015-002

**Material Weakness – Posting Transactions**

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.

The Academy did not accurately post transactions in the accounting system and/or financial statements.

We identified the following condition related to the accounting system and/or the financial statements:

- Depreciable capital assets and depreciation expense were overstated by $153,000 and $30,600, respectively; the financial statements and accounting records have been adjusted for this error.

**FINDING NUMBER 2015-002**
**(Continued)**

Failure to accurately record financial activity increases the risk that financial statements will be materially misstated.

We recommend that the Academy exercise due care when posting entries to the financial records and financial statement preparation to prevent errors and assist in properly reflecting the Academy's financial activity in the financial statements.

**Officials' Response:**

The Academy has implemented double-checks for all posting entries to the financial records and year-end financial statements.

## 3. FINDINGS FOR FEDERAL AWARDS

**FINDING NUMBER 2015-003**

**Noncompliance/Material Weakness – Cash Management and Reporting**

| | |
|---|---|
| **Finding Number** | 2015-003 |
| **CFDA Title and Number** | Child Nutrition Cluster:<br>10.553 – National School Breakfast<br>10.555 – National School Lunch |
| **Federal Award Number / Year** | 2015 |
| **Federal Agency** | U.S. Department of Agriculture |
| **Pass-Through Agency** | Ohio Department of Education |

**7 CFR 210.8(b)** requires that to receive reimbursement, the school food authority shall submit to the State agency, a monthly Claim for Reimbursement, as described in paragraph (c) of this section. Paragraph (c) states that the Claim for Reimbursement shall include data in sufficient detail to justify the reimbursement claimed and to enable the State agency to provide the Report of School Program Operations required under § 210.5(d) of this part. Such data shall include, at a minimum, the number of free, reduced price and paid lunches and meal supplements served to eligible children.

Two of three (67%) monthly site claim forms tested did not agree to the underlying CN6 and CN7 reports. The Academy reported fewer meals served on the site claim forms than what was documented on the CN6 and CN7 reports. This resulted in a modified opinion over the Child Nutrition Cluster for Cash Management and Reporting.

Failure to ensure that site claim forms agree to the CN6 and CN7 reports could result in the Academy not receiving the full reimbursement amount available, or requesting a reimbursement amount in excess of the amount to which the Academy is entitled based on actual meals served.

We recommend that the Academy reconcile the site claim forms with the CN6 and CN7 reports for each month prior to submitting the forms for reimbursement.

**Officials' Response**:

The Academy began implementation of an internal process in FY17 to reconcile the site food service claim forms with the CN6 and CN7 reports for each month prior to submitting the forms for reimbursement.

**This page intentionally left blank.**

**CINCINNATI COLLEGE PREPARATORY ACADEMY**
**HAMILTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**OMB CIRCULAR A -133 § .315 (b)**
**JUNE 30, 2015**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain*** |
|---|---|---|---|
| 2014-001 | The Academy did not accurately post transactions to the financial statements and/or accounting system. | No | Not corrected – Repeated as Finding Number 2015-001 |
| 2014-002 | 7 CFR 3016.36 – Procurement Suspension and Debarment – The Academy did not have documentation for the bidding of the catering contract. | Yes | |

This page intentionally left blank.

**CINCINNATI COLLEGE PREPARATORY ACADEMY**
**HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN**
**JUNE 30, 2015**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|---|---|---|---|
| 2015-001 | The Academy has taken steps to ensure all invoices are double-checked for accuracy before authorizing payment. | 6/30/17 | Doug Mangen |
| 2015-002 | The Academy has taken steps necessary to require additional verification for all posting entries to the financial records and year-end financial statements. | 6/30/17 | Doug Mangen |
| 2015-003 | The Academy began implementation of an internal process in FY17 to reconcile the site claim forms with the CN6 and CN7 reports for each month prior to submitting the forms for reimbursement. | 6/30/17 | Doug Mangen |

**This page intentionally left blank.**

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**
**JUNE 13, 2017**

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov