CINCINNATI SPEECH AND READING INTERVENTION CENTER
HAMILTON COUNTY

INITIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

CINCINNATI SPEECH AND READING INTERVENTION CENTER
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Cincinnati Speech and Reading Intervention Center
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited the accompanying basic financial statements of Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 29, 2010

The discussion and analysis of Cincinnati Speech & Reading Intervention Center's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* issued in June 1999.

Fiscal year 2006 represents the first year of operations for the School. The beginning net assets at July 1, 2005 were ($5,750) and the cash balance at July 1, 2005 was $9,250.

Financial Highlights

Key financial highlights for the Cincinnati Speech & Reading Intervention Center during fiscal year 2006 are as follows:

- Total net assets of the School improved by $90,216, from ($5,750) at the end of fiscal year 2005 to $84,466 at the end of fiscal year 2006.
- Total assets were $292,824 and total liabilities were $208,358 as of June 30, 2006.
- The School's operating loss for fiscal year 2006 was $14,690.
- Total revenues were $1,202,536 while total expenses were $1,112,320.

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and Notes to the Basic Financial Statements. The basic financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

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

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

Table 1 provides a summary of the School's net assets for fiscal year 2006.

Table 1
Net Assets

Assets:	
Cash and Cash Equivalents	$ 204,568
Intergovernmental Receivable	$ 88,256
Total Assets	$ 292,824
Liabilities	
Accounts Payable	$ 148,156
Intergovernmental Payable	$ 60,202
Total Liabilities	$ 208,358
Net Assets:	
Unrestricted	$ 84,466
Total Net Assets	$ 84,466

The total assets of the School increased to $292,824 during fiscal year 2006. There were no capital assets purchased during this twelve month period. Total liabilities increased to $208,358 during fiscal year 2006. There were no long-term liabilities incurred during this twelve month period. The total net assets reported for fiscal year 2006 were $84,466. Unrestricted net assets were $84,466 while restricted net assets and net assets invested in capital assets were $0.

Changes in Net Assets

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006. Total revenues were $1,202,536, 89% from State Foundation payments. Total expenses were $1,112,320, including a total of $1,112,219 directed toward the purchase of instructional, administrative, facilities, transportation and related services.

Table 2
Change in Net Assets

Operating Revenues:	
Foundation Payments	$ 1,073,378
Other Operating Revenue	24,252
Non Operating Revenues:	
State and Federal Grants	104,906
Total Revenues	1,202,536
Operating Expenses:	
Purchased Services	1,112,219
Other Operating Expenses	101
Total Expenses	1,112,320
Change in Net Assets	90,216
Net Assets, beginning of year	(5,750)
Net Assets, end of year	$ 84,466

Capital Assets

At the end of fiscal year 2006, the School did not have any capital assets.

Debt

The School had no debt during the 2006 fiscal year.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Cincinnati Speech & Reading Intervention Center and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Cincinnati Speech & Reading Intervention Center, 6500 Poe Avenue, Suite 350, Dayton, Ohio 45414.

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CINCINNATI SPEECH & READING INTERVENTION CENTER

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	204,568
Intergovernmental Receivable		88,256
TOTAL ASSETS		292,824
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		148,156
Intergovernmental Payable		60,202
Total Current Liabilities		208,358
TOTAL LIABILITIES		208,358
NET ASSETS		
Unrestricted		84,466
TOTAL NET ASSETS	$	84,466

See accompanying notes to the financial statements.

CINCINNATI SPEECH & READING INTERVENTION CENTER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

OPERATING REVENUES:	
Foundation Payments	$ 1,073,378
Other Operating Revenues	24,252
Total Operating Revenues	1,097,630
OPERATING EXPENSES	
Purchases Services	1,112,219
Other Expenses	101
Total Operating Expenses	1,112,320
Operating Loss	(14,690)
NON-OPERATING REVENUES	
Operating Grants - Federal	97,906
Operating Grants - State	7,000
Total Non-Operating Revenues	104,906
Changes in Net Assets	90,216
Net Assets (Accumulated Deficit) at Beginning of Year	(5,750)
Net Assets at End of Year	$ 84,466

See accompanying notes to the financial statements.

CINCINNATI SPEECH & READING INTERVENTION CENTER

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Increase in Cash and Cash Equivalents	
Cash Flows from Operating Activites:	
Cash Received from State Of Ohio	$ 1,118,580
Other Cash Receipts	24,252
Cash Payments to Suppliers for Goods and Services	(964,063)
Other Cash Payments	(101)
Net Cash Provided by (Used for) Operating Activities	178,668
Cash Flows from Noncapital Financing Activites:	
Operating Grants Received	16,650
Net Cash Provided by Noncapital Financing Activities	16,650
NET INCREASE IN CASH AND CASH EQUIVALENTS	195,318
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,250
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 204,568
Reconcililation of Operating Loss to Net Cash Provided By for Operating Activities	
Operating Loss	$ (14,690)
Adjustments:	
Changes in Liabilities	
Accounts Payable	148,156
Intergovernmental Payable	45,202
Total Adjustments	193,358
Net Cash Provided by Operating Activities	$ 178,668

See accompanying notes to the financial statements.

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1. Description of the School and Reporting Entity

The Cincinnati Speech & Reading Intervention Center (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades 1 through 12. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Fiscal year 2006 represents the first year of operations for the School.

The Thomas B. Fordham Foundation was the School's sponsor during fiscal year 2006. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support activities staffed by instructional and administrative personnel from the W.E.B. DuBois Academy who provided services to an average of 168 students during the 2005-2006 school year.

The School utilized the services of W.E.B. DuBois Academy staff to provide certain financial, accounting services and business manager support services, including performing all duties required of the Treasurer of the School (Note 10).

2. Summary of Significant Accounting Policies

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

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

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The difference between total assets and liabilities are defined as net assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

C. Budgetary Process

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

D. Cash and Cash Equivalents

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

The School had no investments during fiscal year 2006.

2. Summary of Significant Accounting Policies (Continued)

E. Capital Assets

The School had no capital assets during fiscal year 2006.

F. Estimates

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

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including purchased services and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School. The School had no non-operating expenses during fiscal year 2006.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2006, including:

Intergovernmental payable – payment for the services provided by another school entity rendered during fiscal year 2006 expected to be paid in the subsequent fiscal year.

J. Federal Tax Exemption Status

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

2. Summary of Significant Accounting Policies (Continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

3. Deposits and Investments

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

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

At fiscal year end, the carrying amount and the bank balance of the School's deposits was $204,568. As of June 30, 2006, $104,568 of the School's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

4. Intergovernmental Receivables

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2006 is as follows:

Grants Receivables	Amount
State Grants / Payments	$88,256

5. Risk Management

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

During 2006, W.E.B. DuBois Academy provided school facilities and other services as part of the School's service agreement. W.E.B. DuBois obtained private insurance coverage for property and general liability insurance for W.E.B. DuBois, Veritas/Cesar Chavez and the Cincinnati Speech and Reading Intervention Center collectively.

5. Risk Management (Continued)

Collective coverages are as follows:

Commercial Property (Coinsurance is 90%; $1,000 deductible)	$4,774,320
Business Personal Property Included	
General Liability:	
Per occurrence	$1,000,000
Aggregate total	$2,000,000
Employee Benefits Liability/ Program:	
Each employee ($1,000 deductible for each employee)	$1,000,000
Aggregate total	$3,000,000
Employer's stop gap Liability:	
Per injury	$1,000,000
Aggregate total	$2,000,000
School Leaders Errors and Omissions Liability:	
Each Wrongful Act/Aggregate Limit ($10,000 deductible)	$1,000,000
Commercial Crime:	
Forgery or Alterations ($500 deductible)	$50,000
Public Employee Dishonesty, per Loss ($1,000 deductible)	$500,000

B. Workers' Compensation

The School contracted with the W.E.B. DuBois Academy for the provision of instruction and administrative staff. The W.E.B. DuBois 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 determined by the State.

C. Employee Medical and Dental Benefits

The School contracted with the W.E.B. DuBois Academy for the provision of instruction and administrative staff. The W.E.B. DuBois Academy carries medical and dental insurance for all employees providing services to the School.

6. Defined Benefit Pension Plans

A. School Employees Retirement System

The School contracted with the W.E.B. DuBois Academy for the provision of administrative staff.

The W.E.B. DuBois Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 State statue per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

6. Defined Benefit Pension Plans (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefit; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. W.E.B. Dubois Academy is responsible for contributing the appropriate amounts for their employees who provide services to the School.

B. State Teachers Retirement System

The School contracted with the W.E.B. DuBois Academy for the provision of instruction staff.

The W.E.B. DuBois Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free (800) 227-7877, or by visiting STRS Ohio web-site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

6. Defined Benefit Pension Plans (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

7. Post-employment Benefits

The School contracted with the W.E.B. DuBois Academy for the provision of instruction and administrative staff. The W.E.B. DuBois Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was $3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were $282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at $35,800. However, the surcharge is capped at two percent of each employer's SERS salaries.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, were $158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of $295.6 million. SERS has 59,492 participants eligible to receive benefits.

8. Restricted Net Assets

At June 30, 2006 the School had no restricted net assets.

9. Contingencies

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at June 30, 2006.

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted.

10. Contracted Administrative and Fiscal Services

The School is a party to a services agreement with the W.E.B. DuBois Academy for the provision of administrative services at a cost of $85 per student per month. The provision of fiscal services, including treasurer services is included in this administrative fee.

11. Purchased Services

For the year ended June 30, 2006, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	$ 1,033,606
Property Services	57,600
Pupil Transportation	15,600
Miscellaneous	5,413
Total Purchased Services	$ 1,112,219

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

12. Beginning Balance

The School received a $15,000 start-up loan from the W.E.B. DuBois Academy on May 10, 2005. The School disbursed $5,750 on May 12, 2005. The table below reconciles net assets as of July 1, 2005.

ASSETS	
Cash and Cash Equivalents	$9,250
LIABILITIES	
Intergovernmental Payable	$15,000
NET ASSETS	-$5,750

13. Noncompliance

The School did not maintain student attendance and enrollment information to support student funding.

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

Cincinnati Speech and Reading Intervention Center
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited the financial statements of the Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2006, and have issued our report thereon dated April 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the School's management in a separate letter dated April 29, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated April 29, 2010.

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

We intend this report solely for the information and use of management, the Board of Directors, the School's sponsor. We intend it for no one other than these specified parties.

Mary Taylor, CPA
Auditor of State

April 29, 2010

SCHEDULE OF FINDINGS
JUNE 30, 2006

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

FINDING NUMBER 2006-001

Noncompliance

Ohio Rev. Code, Section 3314.03(A)(6)(b), requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in 105 consecutive hours of the learning opportunities offered to the student. During the 2005-2006 school year the School offered 8.75 hours of instruction per day; therefore, a student could not have missed more than 12 consecutive non-excused days before being considered withdrawn from the school.

Since the School did not provide any documentation regarding manual admission/withdraw reports or Student Information System (SIS) Reports for 2006, we could not test this information for the 2005-2006 school year. This information typically is reconciled to the Ohio Department of Education's (ODE's) Community School Average Daily Membership (CSADM) funding reports generated by ODE to determine funding for the school.

School management is responsible for accurately entering and maintaining student information in the CSADM database. The student files maintained by the School should substantiate the date a student withdraws from the School. When a student withdraws from the School the student file should be updated with a withdrawal form to support the withdrawal date. Because information was not provided for audit, additional procedures were performed over student attendance and the following exceptions were noted:

- No enrollment forms were presented for audit specifically enrolling students in Cincinnati Speech and Reading Intervention Center, for two of the 40 students (5%) tested; however, for both exceptions, we did find enrollment forms indicating student enrollment in either WEB DuBois Academy or Veritas Cesar Chavez Academy (related schools).

- For the 28 students who were withdrawn during the school year, no student withdrawal form(s) were presented for audit for 15 of the 28 students (54%).

- Student files were incomplete. For four of the 40 (10%) student files tested a copy of the student's birth certificate and/or social security card were not on file.

The funding received from ODE was posted to the school's financial statements; however, failure to accurately update the CSADM database to reflect actual students enrolled and attending the School could lead to erroneous student data being provided to the Ohio Department of Education for determination and calculation of funding. Inaccurate submissions to ODE could result in delayed funding to the School should a student appear on an ODE Fatal Error Report, or result in funding overpayment from the Ohio Department of Education subject to future recovery, including a possible finding for recovery.

We recommend the School establish control procedures to monitor and update the CSADM database to accurately reflect all students enrolled and in attendance at the School. We recommend the School establish procedures to help ensure all student files and attendance records accurately reflect the attendance, student grades, and withdrawal/enrollment information and to identify consecutive non-excused absences and withdraw those students in accordance with the above statute.

FINDING NUMBER 2006-001
(Continued)

ODE calculates and provides funding to the School through school foundation based upon student attendance. Because of the School's inability to provide sufficient records regarding enrollment, we were unable to test information submitted to ODE. As such, we are referring this issue to ODE for any action they deem necessary.

Officials' Response:

After being notified by the Auditors, the School established additional control procedures to monitor the CSADM/SOES database and to ensure students are withdrawn after 105 consecutive hours of absences from the School.

Mary Taylor, CPA
Auditor of State

CINCINNATI SPEECH AND READING INTERVENTION CENTER

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 1, 2010

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