CINCINNATI SPEECH AND READING INTERVENTION CENTER
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

CINCINNATI SPEECH AND READING INTERVENTION CENTER
HAMILTON COUNTY

TABLE OF CONTENTS

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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, 2007, 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, 2007 and 2006, and the changes in its financial position and its cash flows for the years 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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Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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

Cincinnati Speech & Reading Intervention Center

Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006
(Unaudited)

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, 2007 and 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. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for the Cincinnati Speech & Reading Intervention Center during fiscal year 2007 are as follows:

- Total net assets of the School increased by $57,694 and $90,216 in fiscal years 2007 and 2006, respectively. The increase in fiscal year 2007 was due primarily to the large increase in federal and state grant revenue received during the year.

- At June 30, 2007 and 2006 total assets were $309,621 and $292,824, respectively. The increase in assets during fiscal year 2007 was due to the recognition of grants receivable as well as capital assets purchased during the year.

- The operating loss reported for fiscal year 2007 was $435,696 compared with the operating loss of $14,690 reported for fiscal year 2006. With the increase in federal and state grant revenue in fiscal year 2007, the increase in the operating loss reported was expected as grant revenues are reported as non-operating revenues but the program services they fund are reported as operating expenses.

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 years 2007 and 2006.

Table 1
Net Assets

	2007	2006
Assets:		
Current assets	$ 261,079	$ 292,824
Capital Assets, Net	48,542	-
Total Assets	309,621	292,824
Liabilities		
Current liabilities	167,461	208,358
Total Liabilities	167,461	208,358
Net Assets:		
Invested in capital assets	48,542	-
Unrestricted	93,618	84,466
Total Net Assets	$ 142,160	$ 84,466

At June 30, 2007, the total assets of the School increased by $16,797 compared to one year prior. The increase is attributed to a $158,859 increase in federal and state grant monies owed to the School at year end compared with the prior year and the $48,542 of capital assets reported at June 30, 2007. These increases were somewhat offset by the $190,604 decrease in cash and cash equivalents during fiscal year 2007. Fiscal year 2007 represented the first year the School purchased capital assets, $53,935 of computer equipment, and reported depreciation, $5,393 for the year. The decrease in cash and cash equivalents was the result of cash expenditures exceeding cash receipts during the year.

The total liabilities reported at June 30, 2007 were $40,897 less than the liabilities reported at the end of the prior fiscal year due mainly to the reduction in accounts payable. In fiscal year 2006, the School paid W.E.B. DuBois Academy (the Academy) for the operation and administration of the School under a service agreement. Amounts owed to the Academy at year-end were reported as accounts payable and paid during fiscal year 2007. The decrease in accounts payable offset the increases reported in accrued wages and benefits payable, as well as intergovernmental payable. Since the School did not have its own employees during fiscal year 2006, accrued wages and benefits were not recognized. The increase in the intergovernmental payable represents amount owed to the Ohio Department of Education as a result of enrollment reviews for fiscal year 2007 and the amount that remained unpaid at June 30, 2007 related to the fiscal year 2006 enrollment review. These amounts will be repaid during fiscal year 2008.

The $57,694 increase in net assets at June 30, 2007 compared with one year prior was due to the addition of capital assets as well as the large increase in federal and state grant revenue for the year.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007 and 2006 as well as revenue and expenses for the fiscal year.

Table 2
Change in Net Assets

	2007	2006
Operating Revenues:		
Foundation Payments	$ 1,022,328	$ 1,073,378
Other Operating Revenue	137	24,252
Non Operating Revenues:		
State and Federal Grants	493,692	104,906
Interest Earnings	103	-
Total Revenues	1,516,260	1,202,536
Operating Expenses:		
Salaries and benefits	738,682	-
Purchased Services	598,402	1,112,219
Depreciation	5,393	-
Other Operating Expenses	115,684	101
Non-Operating Expenses:		
Interest Expense	405	-
Total Expenses	1,458,566	1,112,320
Change in Net Assets	57,694	90,216
Net Assets, beginning of year	84,466	(5,750)
Net Assets, end of year	$ 142,160	$ 84,466

As Foundation revenue is based on the number of students enrolled at the School, the decline of fifteen students form the prior year is the primary reason operating revenue reported for fiscal year 2007 was $75,165 less than what was reported for fiscal year 2006. The significant increase in state and federal grant revenue was due to the School receiving a federal charter school grant in fiscal year 2007 which it did not receive in either of the prior two fiscal years.

The expenses of the School have increased each of the two years the School has existed. Fiscal year 2006 was the fist year of operation for the School and the operation and administration of the School was provided by W.E.B. DuBois Academy. This resulted in all of the operating expenses being reported as contractual services. Beginning with fiscal year 2007, the School employed its own employees, paid rental payments for the instructional facility and provided for all other operating expenses of running the School. Total expenses reported for fiscal year 2007 were 31.1 percent higher than the prior year as a result of providing all School related services (i.e., instructional, administrative, maintenance and fiscal) in-house as opposed to contracting with an outside party to provide those services.

As the School purchased, and subsequently capitalized, its own computer equipment during fiscal year 2007, this is the first year that depreciation expense is reported.

Capital Assets

At June 30, 2007 the capital assets of the School consisted of $53,935 of computer equipment which was off-set by $5,393 in accumulated depreciation resulting in net capital assets of $48,542. The School had no capital assets in either of the two prior years.

See Note 5 of the Notes to the Basic Financial Statements for more detailed information on the School's capital assets.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Cincinnati Speech and 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:

Cincinnati Speech & Reading Intervention Center
Attn: Treasurer
1812 Central Parkway
Cincinnati, Ohio 45211

CINCINNATI SPEECH & READING INTERVENTION CENTER

STATEMENT OF NET ASSETS
As of June 30, 2007 and 2006

		2007		2006
ASSETS:				
Current assets:				
Cash and cash equivalents	$	13,964	$	204,568
Intergovernmental Receivable		247,115		88,256
Total current assets		261,079		292,824
Noncurrent assets:				
Capital assets, net of accumulated depreciation		48,542		-
Total noncurrent assets		48,542		-
Total assets		309,621		292,824
LIABILITIES:				
Current liabilities:				
Accounts payable		81,152		148,156
Accrued wages & benefits payable		8,425		-
Intergovernmental payable		77,884		60,202
Total liabilities		167,461		208,358
NET ASSETS:				
Invested in Capital Assets, net of related debt		48,542		-
Unrestricted		93,618		84,466
Total net assets	$	142,160	$	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 Years Ended June 30, 2007 and 2006

	2007	2006
OPERATING REVENUES:		
Foundation payments	$ 1,022,328	$ 1,073,378
Miscellaneous revenue	137	24,252
Total operating revenues	1,022,465	1,097,630
OPERATING EXPENSES:		
Salaries	599,432	-
Fringe Benefits	139,250	-
Building rental	28,366	-
Purchased services	598,402	1,112,219
Materials and supplies	74,031	-
Depreciation	5,393	-
Other	13,287	101
Total operating expenses	1,458,161	1,112,320
Operating Loss	(435,696)	(14,690)
NON-OPERATING REVENUES AND EXPENSE:		
Federal grant revenue	493,692	104,906
Interest earnings	103	-
Interest and fiscal charges	(405)	-
Net non-operating revenues/(expenses)	493,390	104,906
Changes in net assets	57,694	90,216
Net Assets (Accumulated Deficit), beginning of year	84,466	(5,750)
Net Assets, end of year	$ 142,160	$ 84,466

See accompanying notes to the financial statements.

CINCINNATI SPEECH & READING INTERVENTION CENTER

STATEMENT OF CASH FLOWS

For the Fiscal Years Ended June 30, 2007 and 2006

	2007	2006
Increase (Decrease in Cash and Cash Equivalents		
Cash Flows from Operating Activites:		
Cash from State of Ohio	$ 1,020,931	$ 1,118,580
Cash payments to suppliers for goods and services	(781,090)	(964,164)
Cash payments to employees for services and benefits	(711,178)	-
Other operating revenue	137	24,252
Net cash used by operating activities	(471,200)	178,668
Cash Flows from Noncapital Financing Activites:		
Federal and state subsidies	334,833	16,650
Interest Income	103	-
Interest paid on note payable	(405)	-
Net cash provided by noncapital financing activities	334,531	16,650
Cash Flows from Capital and Related Financing Activites:		
Capital acquisitions	(53,935)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(190,604)	195,318
Cash and Cash Equivalents, Beginning of Year	204,568	9,250
Cash and Cash Equivalents, End of Year	13,964	204,568
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	(435,696)	(14,690)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	5,393	-
Changes in assets and liabilities:		
Increase (decrease) in accounts payable	(67,004)	148,156
Increase in accrued wages and payable	8,425	-
Increase in intergovernmental payable	17,682	45,202
Net Cash Used by Operating Activities	$ (471,200)	$ 178,668

See accompanying notes to the financial statements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007**

1. Description of the School and Reporting Entity

Cincinnati Speech and 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 Kindergarten through grade 8. The School, which is part of the State’s education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The Thomas B. Fordham Foundation was the School’s sponsor during fiscal years 2007 and 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; for fiscal year 2007 the personnel were School employees compared with fiscal year 2006 in which services were provided entirely by contracted personnel from the W.E.B. DuBois Academy. The average student enrollment for the past two school years was 153 and 168 students, respectively.

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. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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 Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

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

2. Summary of Significant Accounting Policies (Continued)

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimate Life
Computers and Equipment	8 years
Leasehold Improvements	8 years

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 salaries, benefits, purchased services, materials and supplies and depreciation.

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. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses

2. Summary of Significant Accounting Policies (Continued)

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 fiscal year end, including:

Wages payable – salary payments made after year-end that were for services rendered during the respective fiscal year. Personnel are paid in 24 equal installments, ending with the first payroll in July, for services rendered during the previous School year. Therefore, a liability has been recognized at year-end for the first salary payment made in the subsequent July to all employees. The School did not have any employees at June 30, 2006.

Intergovernmental payable – payment made in the subsequent year for the employer's share of the retirement contribution, Workers' Compensation, and Medicaid associated with personnel services rendered during fiscal year 2007. In addition, at June 30, 2007 the School owed $43,805 to the Ohio Department of Education for overpayments of foundation revenue in fiscal years 2007 and 2006 (see Note 9) which will be withheld from fiscal year 2008 foundation payments. The remainder of this account is for amounts owed to the Ohio Workers Compensation Program and services provided by another school entity, which were 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.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation less any outstanding capital related debt. 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. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

3. Deposits and Investments (Continued)

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 June 30, 2007 and 2006, the entire bank deposits of the School were either covered by FDIC insurance or collateralized by pooled collateral by the financial institutions defined above.

4. Intergovernmental Receivables

All receivables are considered collectible in full due to the stable condition of State programs and funding commitment for federal grants. As of June 30, 2007 and 2006, the School was entitled to receive $247,115 and $88,256, respectively, under state and federal grant programs which are reported as intergovernmental receivables in the Statement of Net Assets.

5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007
Capital Assets, being depreciated				
Equipment	$ -	$ 53,935	$ -	$ 53,935
Less: Accumulated Depreciation				
Equipment	$ -	($5,393)	$ -	($5,393)
Capital Assets, net	$ -	$ 48,542	$ -	$ 48,542

6. 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 2007 and 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;

6. Risk Management (Continued)

Collective coverage amounts are as follows:

Commercial Property (Coinsurance is 90%; $1,000 deductable)	
Business Personal Property Included	$4,774,320
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 and Alterations ($500 deductible)	$50,000
Public Employee Dishonesty, per Loss ($1,000 deductible)	$500,000

B. Workers' Compensation

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

C. Employee Medical and Dental Benefits

The School carries their medical and dental insurance through United Health Care. The School pays 80% of medical and dental benefits for employees. The employee is responsible for the remainder of premiums. For fiscal year 2007, the annual cost of medical insurance is based on gender and age.

7. Defined Benefit Pension Plans

A. School Employees Retirement System

The School 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.

7. 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 benefits; at June 30, 2007, 10.68 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. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2007 were $20,026; 100 percent of required contributions were paid for the fiscal year. During fiscal year 2006, the School contracted with W.E.B. DuBois Academy for the provision of administrative staff.

B. State Teachers Retirement System

The School 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.

7. Defined Benefit Pension Plans (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute the statutory maximum of 10.0 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007 were $68,431; 100 percent of the required contributions for the fiscal year. During fiscal year 2006, the School contracted with the W.E.B. Dubois Academy for the provision of instruction staff.

8. Post-employment Benefits

The School 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 Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care for the prior three years. For the School, this amount equaled $5,264 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) 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.

8. Post-employment Benefits (Continued)

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of cover payroll for fiscal year 2006. 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 2007, the minimum pay established at $35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled $6,474.

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 of the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were $158,751,207. As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221% of the next year's projected net health care costs. On the actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has 59,492 participants eligible to receive health care benefits.

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.

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. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2007 as a result of such review.

10. Other Purchased Services

During the fiscal year ended June 30, 2007, other purchased service expenses for services rendered by various vendors were as follows:

Professional and technical services	$281,773
Pupil transportation	160,058
Utilities	102,717
Property services	17,497
Contracted labor or trade services	25,253
Communications	10,663
Other	413
Travel reimbursements	28
	$598,402

For the year ended June 30, 2006, purchased services were paid to the W.E.B. DuBois Academy for instructional, administrative, facility, transportation and related services provided to the School.

11. Contracted Administrative and Fiscal Services

The School entered into a contract with Keys to Improving Dayton Schools School Resource to provide basic treasurer and financial management services for the period of July 1, 2006 to June 30, 2007. The fee for the services was $6,000 per month.

During fiscal year 2007, the School was under a service agreement with W.E.B. DuBois Academy to provide administrative services at a cost of $85 per student per month. The provision of fiscal services, including treasurer services was included in the administrative fee.

12. Noncompliance

Contrary to Ohio law, available data was not sufficient to prove that students were withdrawn from school once the student had missed 105 consecutive hours of school without a legitimate excuse. This resulted in the School being overfunded for certain students and Findings for Recovery were issued for the overfunded amount.

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, 2007, 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 2007-001.

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

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

Mary Taylor, CPA
Auditor of State

April 29, 2010

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

FINDING NUMBER 2007-001

Finding for Recovery

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 2006-2007 school year, the School offered 5.11 hours of instruction per day; therefore, a student could not have missed more than 21 consecutive non-excused days before being considered withdrawn from 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 file could be located for one of the 40 students (3%) tested.
- No enrollment forms were presented for audit specifically enrolling students in Cincinnati Speech and Reading Intervention Center, for five of the 40 students (13%) tested; however, for two of the five exceptions, we did find enrollment forms indicating student enrollment in either WEB DuBois Academy or Veritas Cesar Chavez Academy (related schools).
- For the 18 students who were withdrawn during the school year, no student withdrawal form(s) were presented for audit for 17 of the 18 students (94%).
- Student files were incomplete. For four of the 40 student files (10%) tested a copy of the student's birth certificate and/or social security card were not on file.

While the School's available student attendance records were incomplete, we expanded our testing and performed alternative procedures. We determined two students reflected on the CSADM Report submitted to ODE for funding should have been withdrawn from the School, and funding from ODE should have ceased prior to the date reflected on the CSADM report.

Of the two students identified:

- Two students should have been withdrawn at least four weeks earlier;

For the two students deemed to be overfunded, the number of days overfunded ranged from 18 to 23 days. The total number of days overfunded for all students combined totaled 41 days.

For fiscal year 2007, ODE provided a base amount and a cost of doing business factor for weighted foundation amount for each student in attendance at the School totaling $5,585.88. We divided the ODE funding amount by the maximum 920 hours of learning opportunities eligible for funding times 5.11 hours of instruction provided per day to arrive at a daily FTE unit rate per student of $31.03. We multiplied the combined unallowable 41 days by the daily FTE unit rate of $31.03 ($5,585.88/920 hours * 5.11 hours per day = $31.03) to calculate ODE's overpayment to the School of $1,272.23 ($31.03*41 days = $1,272.23).

FINDING NUMBER 2007-001
(Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Cincinnati Speech and Reading Intervention Center for public money illegally expended in the amount of $1,272 and in favor of the Ohio Department of Education.

Of the 2 students indicated above the School improperly received base foundation funding totaling $1,272. Due to the complex nature of calculating the special education foundation payment amount, we will refer the calculation of the special education overpayment amount to ODE for calculation.

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.

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2006-001	Ohio Rev. Code Section 3314.03(A)(6)(b) – Student Records/Funding and ODE Referral	No	Repeated as Finding 2007-001

Note: The report that contained the findings above for the year ended June 30, 2006 was issued at the same time as this report. Therefore, many of the comments could not be addressed prior to the issuance of this report.

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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