RICHARDSON
accounting for your success!®

# INDEPENDENT AUDITOR'S REPORT

## CINCINNATI SPEECH AND READING INTERVENTION CENTER HAMILTON COUNTY

## SINGLE AUDIT

## FOR THE YEAR ENDED JUNE 30, 2014

Board of Directors
Cincinnati Speech and Reading Intervention Center
1812 Central Parkway
Cincinnati, Ohio 45214

We have reviewed the *Independent Auditor's Report* of the Cincinnati Speech and Reading Intervention Center, Hamilton County, prepared by Richardson & Associates, LLC, for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cincinnati Speech and Reading Intervention Center is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

June 30, 2015

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

**This page intentionally left blank**

# CINCINNATI SPEECH AND READING INTERVENTION CENTER

# HAMILTON COUNTY

## TABLE OF CONTENTS

RICHARDSON
accounting for your success!®

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

Cincinnati Speech and Reading Intervention Center
Hamilton County
Independent Auditor's Report
For the Year Ended June 30, 2014

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio, as of June 30, 2014, and the changes in financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

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

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

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

Cincinnati Speech and Reading Intervention Center
Hamilton County
Independent Auditor's Report
For the Year Ended June 30, 2014

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Richardson & Associates, LLC*

Richardson and Associates, LLC
Cincinnati, Ohio
March 23, 2015

**This page intentionally left blank**

As management of the Cincinnati Speech & Reading Intervention Center (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for the Cincinnati Speech & Reading Intervention Center during fiscal year 2014 are as follows:

- Ending net position of the School was $455,793, an increase of $29,256 in comparison with the prior fiscal year-end.
- Total assets decreased $22,176 from the prior year and total liabilities decreased by $51,432 during this same 12 month period.
- The School's operating loss for fiscal year 2014 was $588,085 compared with an operating loss of $682,185 reported for the prior year. Total operating revenues decreased by $15,541 while operating expenses decreased by $109,641 over those reported for the prior year.

**Using the Basic Financial Statements**

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

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

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

**Financial Analysis**

Table 1 provides a summary of the School's net position for 2014 and 2013:

**Table 1**
**Net Position at Year End**

| | 2014 | 2013 |
|---|---|---|
| Assets: | | |
| Current Assets | $ 189,433 | $ 187,320 |
| Capital Assets, Net | 1,309,620 | 1,333,909 |
| Total Assets | 1,499,053 | 1,521,229 |
| | | |
| Liabilities | | |
| Current Liabilities | 926,801 | 727,108 |
| Non-Current Liabilities | 116,459 | 367,584 |
| Total Liabilities | 1,043,260 | 1,094,692 |
| | | |
| Net Position: | | |
| Net Investment in Capital Assets | 964,583 | 749,412 |
| Restricted | 25,411 | 7,964 |
| Unrestricted | (534,201) | (330,839) |
| Total Net Position | $ 455,793 | $ 426,537 |

Capital Assets decreased by $24,289 during the fiscal year. This decrease represents the amount in which current year depreciation exceeded capital asset additions.

Current Liabilities increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of an increase in accounts payable due to insufficient operating cash flows.

Non-Current Liabilities decreased significantly in comparison with the prior fiscal year. This decrease is the result of a decrease in notes payable due to the School making debt service payments during the year.

The Total Net Position reported for fiscal year 2014 increased by $29,256. Table 2 on the following page demonstrates the details of this decrease.

## Financial Analysis

Table 2 provides a summary of the School's change in net position for 2014 and 2013:

**Table 2**
**Changes in Net Position**

| | 2014 | 2013 |
|---|---|---|
| **Operating Revenues:** | | |
| Foundation Revenues | $ 1,487,809 | $ 1,561,715 |
| Other Unrestricted Grant-In-Aid | 57,780 | 1,946 |
| Miscellaneous | 15,178 | 12,647 |
| Total Operating Revenues | 1,560,767 | 1,576,308 |
| **Operating Expenses:** | | |
| Salaries and Wages | 777,263 | 897,054 |
| Fringe Benefits | 213,909 | 218,543 |
| Purchased Services | 971,443 | 911,416 |
| Materials and Supplies | 99,806 | 130,199 |
| Depreciation | 61,259 | 58,726 |
| Other | 25,172 | 42,555 |
| Total Operating Expenses | 2,148,852 | 2,258,493 |
| Operating Income (Loss) | (588,085) | (682,185) |
| **Nonoperating Revenues** | | |
| Federal Grants | 568,241 | 629,724 |
| State Grants | 3,285 | 3,792 |
| Donations and Contributions | 14,607 | 15,750 |
| Other Nonoperating Revenues | 31,208 | 29,830 |
| Total Nonoperating Revenues | 617,341 | 679,096 |
| Change in Net Position | 29,256 | (3,089) |
| Net Position, Beginning of Year | 426,537 | 429,626 |
| Net Position, End of the Year | $ 455,793 | $ 426,537 |

Salaries and Wages decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of employee turnover. Several experienced staff resigned in 2013 and were replaced in 2014 with less experienced staff with significantly lower salaries.

Federal Grants decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a reduction in the number of students eligible for special education and Title I funding.

**Capital Assets**

At fiscal year-end, the School had $1,309,620 invested in capital assets, a decrease of $24,289 in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation of $61,259 exceeded current year capital acquisitions of $36,970. See Note 5 of the basic financial statements for additional details.

**Debt**

At fiscal year-end, the School had $345,037 in notes payable, a decrease of $240,000 in comparison with the prior fiscal year. This decrease represents the current year principal payments and premium amortization of $ 217,453 and $22,547, respectively. See Note 6 of the basic financial statements for additional details.

**Contacting the School**

This financial report is designed to provide a general overview of the finances of the Cincinnati 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, 6640 Poe Avenue, Dayton, Ohio 45414.

**This page intentionally left blank.**

**CINCINNATI SPEECH AND READING INTERVENTION CENTER**
**HAMILTON COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

| | | |
|---|---|---|
| **Assets:** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ | 158,338 |
| Intergovernmental Receivable | | 31,095 |
| Total Current Assets | | 189,433 |
| Non-Current Assets: | | |
| Capital Assets, net of accumulated depreciation | | 1,309,620 |
| Total Assets | | 1,499,053 |
| **Liabilities:** | | |
| Current Liabilities: | | |
| Accounts Payable | | 606,714 |
| Accrued Wages and Benefits Payable | | 53,354 |
| Intergovernmental Payable | | 36,188 |
| Unearned Revenue | | 1,967 |
| Notes Payable | | 228,578 |
| Total Current Liabilities | | 926,801 |
| Noncurrent Liabilities: | | |
| Notes Payable | | 116,459 |
| Total Liabilities | | 1,043,260 |
| **Net Position:** | | |
| Net Investment in Capital Assets | | 964,583 |
| Restricted for State and Federal Grants | | 9,527 |
| Restricted for Local Grants and Contributions | | 15,884 |
| Unrestricted | | (534,201) |
| Total Net Position | $ | 455,793 |

See accompanying notes to the basic financial statements.

**CINCINNATI SPEECH AND READING INTERVENTION CENTER**
**HAMILTON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | | |
|---|---|---|
| **Operating Revenues:** | | |
| Foundation Payments | $ | 1,487,809 |
| Other Unrestricted Grants-In-Aid | | 57,780 |
| Miscellaneous | | 15,178 |
| Total Operating Revenues | | 1,560,767 |
| **Operating Expenses:** | | |
| Salaries | | 777,263 |
| Fringe Benefits | | 213,909 |
| Purchased Services | | 971,443 |
| Materials and Supplies | | 99,806 |
| Depreciation | | 61,259 |
| Other | | 25,172 |
| Total Operating Expenses | | 2,148,852 |
| Operating Income (Loss) | | (588,085) |
| **Non-Operating Revenues:** | | |
| Federal Grants | | 568,241 |
| State Grants | | 3,285 |
| Donations and Contributions | | 14,607 |
| Other | | 31,208 |
| Total Non-Operating Revenues | | 617,341 |
| Change in Net Position | | 29,256 |
| Net Position Beginning of Year | | 426,537 |
| Net Position End of Year | $ | 455,793 |

See accompanying notes to the basic financial statements.

**CINCINNATI SPEECH AND READING INTERVENTION CENTER**
**HAMILTON COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | | |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Cash Received from State of Ohio | $ | 1,568,883 |
| Cash Received from Miscellaneous | | 15,178 |
| Cash Payments to Suppliers for Goods and Services | | (927,545) |
| Cash Payments to Employees for Services & Benefits | | (1,007,087) |
| Net Cash Used for Operating Activities | | (350,571) |
| | | |
| Cash Flows from Noncapital Financing Activities: | | |
| Cash Received from Grants (Federal & State) | | 584,548 |
| Cash Received from Donations and Contributions | | 14,607 |
| Cash Received from Other Non-Operating Activities | | 31,208 |
| Net Cash from Noncapital Financing Activities | | 630,363 |
| | | |
| Cash Flows from Capital and Related Financing | | |
| Activities: Payments for Capital Acquisitions | | (20,930) |
| Payments for Principal on Notes Payable | | (217,453) |
| Payments for Interest on Notes Payable | | (22,547) |
| Net Cash Used for Capital and Related Financing Activities | | (260,930) |
| | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 18,862 |
| | | |
| Cash and Cash Equivalents at Beginning of Year | | 139,476 |
| Cash and Cash Equivalents at End of Year | $ | 158,338 |
| | | |
| Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities: | | |
| | | |
| Operating Income (Loss) | | (588,085) |
| | | |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities: | | |
| Depreciation | | 61,259 |
| Changes in Assets and Liabilities: | | |
| Intergovernmental Receivable | | 2,808 |
| Accounts Payable | | 168,400 |
| Accrued Wages | | (17,205) |
| Intergovernmental Payable | | 22,252 |
| Net Cash Used for Operating Activities | $ | (350,571) |

Schedule of noncash transactions:
Capital asset acquisitions totaling $16,040 are included in accounts payable at fiscal year-end.

See accompanying notes to the basic financial statements.

**This page intentionally left blank**

## Note 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 nonsectarian 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.

On January 30, 2008, the School entered into a contract with Richland Academy of the Arts to be the School's sponsor. The contract is extended for additional one year terms from July 1 to June 30, unless terminated or non-renewed by either party. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal or terminate the contract at the end of each fiscal year.

The School operates under the direction of a Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state -mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 5 non-certified and 18 certificated full time teaching personnel who provided services to 230 students during the fiscal year.

## Note 2 – Summary of Significant Accounting Policies

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

**Note 2 – Summary of Significant Accounting Policies (Continued)**

### B. Measurement Focus and Basis of Accounting

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

**Note 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 straightline method over the following useful lives:

| Description | Estimate Life |
|---|---|
| Computers and Equipment | 5 years |
| Buildings | 50 years |

### F. Estimates

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

### G. Intergovernmental Revenue

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

### H. Operating and Non-Operating Revenues and Expenses

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

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

**Note 2 – Summary of Significant Accounting Policies (Continued)**

### I. Accrued Liabilities Payable

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

> Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2014 contract.
>
> Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2014.
>
> Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2014 that were paid in the subsequent fiscal year.

### J. Deferred Outflows/Inflows of Resources

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

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

### K. Net Position

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

### L. Economic Dependency

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

## Note 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% 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.

At June 30, 2014, the carrying amount of the School's deposits was $158,338 and the bank balance was $165,592. The entire bank balance was covered by federal deposit insurance.

## Note 4 – Intergovernmental Receivables

All intergovernmental receivables are considered collectible in full due to the stable condition of Federal grant programs. A summary of the principal items of receivables at June 30, 2014 is as follows:

| Source | Amount |
|---|---|
| Federal Grants | $15,237 |
| Pension Overpayments | 15,858 |
| Total | $31,095 |

## Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Capital Assets:** | | | | |
| Buildings | $ 1,312,500 | $ 9,027 | $ - | $ 1,321,527 |
| Furniture and Equipment | 252,828 | 27,943 | - | 280,771 |
| Total Depreciable Capital Assets | 1,565,328 | 36,970 | - | 1,602,298 |
| **Accumulated Depreciation:** | | | | |
| Buildings | (72,625) | (26,340) | - | (98,965) |
| Furniture and Equipment | (158,794) | (34,919) | - | (193,713) |
| Total Accumulated Depreciation | (231,419) | (61,259) | - | (292,678) |
| **Total Capital Assets, Net** | $ 1,333,909 | $ (24,289) | $ - | $ 1,309,620 |

The School has not perfected the title for 1812 Central Parkway as of June 30, 2014. Since the school has the risk and benefit of the building, along with the related debt, it is included in the table above.

## Note 6 – Notes Payable

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

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Notes Payable | $ 549,706 | $ - | $ (217,453) | $ 332,253 | $ 228,578 |
| Notes Premium | 35,331 | - | (22,547) | 12,784 | - |
| Total | $ 585,037 | $ - | $ (240,000) | $ 345,037 | $ 228,578 |

In fiscal year 2010, the School entered into a promissory note with Joann and Ed Hubert Family Foundation to secure capital funds for the purchase of the Elm Street building. The note was approved for $342,537. The note carried an interest rate of 0% and a maturity date of June 30, 2012.

In fiscal year 2011, the School entered into a Promissory Note with Joann and Ed Hubert Family Foundation to secure capital funds for the purchase of the 1812 Central Parkway building. The purchase was approved for $ 962,500. The $962,500 purchase price was added to the amount owed from the purchase of the Elm Street ($342,537) and documented in a Promissory Note between the School and the Hubert's. The total amount of the note is $1,305,037. The Promissory Note with the Hubert Family is collateralized by the property of the School.

The note carries an interest rate of 0%; however, interest has been imputed at 5%, resulting in a note premium at issuance totaling $164,439. The note premium will be amortized over the life of the note. The note has no required schedule of payment; however, the note has a maturity date of June 30, 2020.

During the fiscal year, the School paid $20,000 per month toward the note for a total of $240,000. Of this amount, $217,453 and $22,547 have been allocated to principle and interest, respectively. Assuming the School continues paying $20,000 per month toward the note, debt-service-to-maturity requirements to retire the note is as follows:

| Fiscal Year Ended June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 228,578 | $ 11,422 | $ 240,000 |
| 2016 | 103,675 | 1,362 | 105,037 |
| Total | $ 332,253 | $ 12,784 | $ 345,037 |

## Note 7 – Risk Management

**A. Property and Liability -** The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year, the School contracted with Argonaut Insurance Company for property and general liability insurance coverage as follows:

| | | |
|---|---|---|
| Commercial Property (Coinsurance is 90%; $1,000 deductible | | |
| Business Personal Property Included | $ | 7,726,030 |
| Business Income & Extra Expense | | 1,000,000 |
| General Liability: | | |
| Per Occurrence | | 1,000,000 |
| Aggregate Total | | 3,000,000 |
| 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 ($500 deductible) | | 50,000 |
| Vehicle Coverage: | | |
| Combined Single Limit / Uninsured Motorist Liability ($500/ $ 1,000 deductible) | | 1,000,000 |
| Computer Equipment Blanket | | 250,000 |
| Student Accident ($500 deductible) | | 250,000 |

There was no significant reduction in coverage from the prior year. Settlement amount have not exceeded coverage amounts in each of the past three years.

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

**C. Employee Medical and Dental Benefits -** The School carries their medical and dental insurance through Medical Mutual and Humana. The School pays the first $500 of medical and dental benefits for employees. The employee is responsible for the remainder of the premiums. The annual cost of medical insurance is based upon gender and age.

## Note 8 – Defined Benefit Pension Plans

### (a) School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were $ 16,945, $16,967, and $17,198, respectively. The entire amount has been contributed for fiscal years 2012, 2013, and 2014.

### (b) State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**Note 8 – Defined Benefit Pension Plans (continued)**

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

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

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

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

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

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

**Note 8 – Defined Benefit Pension Plans (continued)**

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers.

The School's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2014, 2013, and 2012 were $81,919, $99,779, and $104,475, respectively. The entire amount has been contributed for fiscal years 2012, 2013. For fiscal year 2014, the School has contributed 98% of the required amount. The unpaid contribution has been recorded as a liability.

**C. Social Security**

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

**Note 9 – Post-employment Benefits**

**(a) School Employees Retirement System**

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50.

**Note 9 – Post-employment Benefits (Continued)**

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The School's contributions for the years ended June 30, 2014, 2013 and 2012 were $983, $958, and $1,015, respectively. The entire amount has been contributed for fiscal years 2012, 2013, and 2014.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS- covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at $20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care, including the surcharge, for the years ended June 30, 2014, 2013, and 2012 were $2,019, $2,317, and $3,798, respectively. The entire amount has been contributed for fiscal years 2012, 2013, and 2014.

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

## Note 9 – Post-employment Benefits (Continued)

### (b) State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under

Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were $6,301, $7,675, and $8,037, respectively. The entire amount has been contributed for fiscal years 2012, 2013. For fiscal year 2014, the School has contributed 98% of the required amount. The unpaid contribution has been recorded as a liability.

## Note 10 – Restricted Net Position

At fiscal year-end, the School reported restricted net position totaling $25,411. The nature of the net position restrictions at year-end are as follows:

| | |
|---|---|
| State and Federal Grants | $ 9,527 |
| Local Grants and Contributions | 15,884 |
| Total | $ 25,411 |

## Note 11 – Contingencies

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

**Note 11 – Contingencies (Continued)**

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 Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

**Note 12 – Contracted Fiscal Services**

The School is a party to a fiscal services agreement with Mangen & Associates (M&A), which is an education services provider with a focus in instruction, operations and financial management support. The Agreement with M&A commenced in fiscal year 2011 and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform the following functions for the School:

1. Business Management Services – Supervision and management of School business affairs, budget development and planning, supervision of support services, personnel management, and coordination of safety programs.
2. Instruction Professional Development – Oversight and providing professional development to instruction staff.
3. Admin Professional Development – Oversight and providing professional development to admin and instruction staff.
4. Treasurer Services – Providing basic record keeping of required documents for state and federal governments and basic accounting reports to Director and Board.
5. Financial Management Services – Providing financial reporting, cash flow analysis, and resource call support.
6. Payroll/Accounting Services – Processing payroll and payables, including all required tax forms. Filing payroll deduction payments, providing bank reconciliations, and overseeing administration of payroll and payables.
7. CCIP Coordinator Services – Grants management, federal expenditure tracking, and reports to Director and Board.
8. E-Rate, CRRS, and 21$^{st}$ Century Services – Expense tracking, guidance and oversight, and monitoring.
9. SOES/EMIS Services – Guidance and oversight related to system set up, maintenance, and input of student data.
10. Audit-Prep Services – Assisting and corresponding with auditors to ensure a timely audit.

The School paid M&A School Resource Center $129,058 during the fiscal year. In addition to amounts paid, the amount payable to M&A School Resource Center at fiscal year-end was $561,565, an increase of $164,422 in comparison with the prior fiscal year-end.

## Note 13 – Operating Leases – Lessee and Lessor

The School entered into a Property Lease Agreement for the building located at 132 Findlay Street with Findlay Market (Lessee). The term of the lease is five years, commencing on August 1, 2010. The minimum annual payments to be made from the Lessee during years one through two are $10,450, and $15,177 for years three through five. During the fiscal year, the School was paid $ 15,177 in lease payments for the property. The Lessee has the option to purchase the building but has not notified the School to execute the option.

The School has entered into a lease agreement with Wells Fargo Equipment Finance Group for the lease of five copiers with accessories. The term of the lease was 60 months and commenced on December 21, 2010, with required payments of $760 per month. Lease payments during the fiscal year totaled $8,512.

## Note 14 – Purchased Services

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

| | |
|---|---|
| Instructional Services | $ 7,142 |
| Management Services | 288,480 |
| Data Processing Servies | 5,750 |
| Professional Services | 283,966 |
| Garbage Removal and Cleaning | 25,148 |
| Repairs and Maintenance | 23,492 |
| Rentals | 11,827 |
| Travel/Meeting | 2,894 |
| Postage | 541 |
| Advertising | 16,144 |
| Utilities | 99,277 |
| Contracted Food Services | 200,003 |
| Pupil Transportation | 6,779 |
| Total Purchased Services | $ 971,443 |

## Note 15 – Change in Accounting Principle

For fiscal year 2014, the School has implemented the following:

*GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities"* clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement did not have an effect on the financial statements of the School.

## Note 15 – Change in Accounting Principle (Continued)

*GASB Statement No. 66 "Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62"* resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the School.

*GASB Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees"* enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the School.

**This page intentionally left blank.**

**CINCINNATI SPEECH AND READING INTERVENTION CENTER**
**HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**
**FOR THE YEAR ENDED JUNE 30, 2014**

| Federal Grantor/Program Title | Federal CFDA Number | Federal Revenues | Federal Expenditures |
|---|---|---|---|
| **U.S. Department of Agriculture** | | | |
| Nutrition Cluster: | | | |
| National school breakfast | 10.553 | $ 67,853 | $ 56,737 |
| National school lunch | 10.555 | $ 163,360 | $ 136,598 |
| Total nutrition cluster | | $ 231,213 | $ 193,335 |
| Fresh Fruits and Vegetables | 10.582 | $ 1,348 | $ 1,348 |
| Total U.S. Department of Agriculture | | $ 232,561 | $ 194,683 |
| **U.S. Department of Education** | | | |
| Special Education: | | | |
| IDEA Part B | 84.027 | $ 51,990 | $ 51,990 |
| Title I: | | | |
| Title I, Consolidated | 84.010 | $ 189,605 | $ 189,605 |
| Total Title I Cluster | | $ 189,605 | $ 189,605 |
| Improving Teacher Quality - Title II-A | 84.367 | $ 2,477 | $ 510 |
| Race to the Top | 84.395 | $ 3,097 | $ 3,097 |
| Resident Educator | 84.395 | $ 2,100 | $ 2,100 |
| 21st Century Comm Learning Center | 84.287 | $ 73,333 | $ 73,333 |
| Total Passed Through Ohio Department of Education | | $ 322,602 | $ 320,635 |
| **Total Federal Awards Expenditures** | | **$ 555,163** | **$ 515,318** |

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

**CINCINNATI SPEECH AND READING INTERVENTION CENTER**
**HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**
**FOR THE YEAR ENDED JUNE 30, 2014**

## NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Cincinnati Speech and Reading Intervention Center's (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting

## NOTE B - CHILD NUTRITION CLUSTER

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

## NOTE C - MATCHING REQUIREMENTS

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

**This page intentionally left blank**

RICHARDSON
accounting for your success!

**INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 23, 2015.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

*Richardson & Associates, LLC*

Richardson & Associates, LLC
Cincinnati, Ohio
March 23, 2015

RICHARDSON
accounting for your success!®

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

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

To the Board of Directors:

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

We have audited the Cincinnati Speech and Reading Intervention Center's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Cincinnati Speech and Reading Intervention Center's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Cincinnati Speech and Reading Intervention Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

RICHARDSON
accounting for your success!®

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

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

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

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

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

*Richardson & Associates, LLC*

Richardson & Associates, LLC
Cincinnati, Ohio
March 23, 2015

**This page intentionally left blank**

**CINCINNATI SPEECH AND READING INTERVENTION CENTER**
**HAMILTON COUNTY**

**SCHEDULE OF FINDINGS**
**OMB CIRCULAR A-133 §.505**
**JUNE 30, 2014**

## 1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**This page intentionally left blank**

RICHARDSON
accounting for your success!®

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE**

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

To the Board of Directors:

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

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

1. We noted the school board amended its anti-harassment policy on January 16, 2015 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus".

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

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

*Richardson & Associates, LLC*

Richardson & Associates, LLC
Cincinnati, Ohio
March 23, 2015

**This page intentionally left blank.**

Dave Yost • 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**
**JULY 14, 2015**