



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2012**



**Dave Yost • Auditor of State**



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

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# Dave Yost • Auditor of State

## 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 the Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Center'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 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 financial position of Cincinnati Speech and Reading Intervention Center, as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2013, on our consideration of the Center'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.

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

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This statement was subject to the auditing procedures we applied to the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 19, 2013

## **Cincinnati Speech & Reading Intervention Center**

Management's Discussion and Analysis

For the Year Ended June 30, 2012

(Unaudited)

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The management's discussion and analysis of the Cincinnati Speech & Reading Intervention Center's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves 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 2012 are as follows:

- Total net assets of the School increased \$150,681 during the fiscal year. Ending net assets of the School were \$429,626.
- Total assets increased \$17,784 from the prior year and total liabilities decreased by \$132,897 during this same 12 month period.
- The School's operating loss for fiscal year 2012 was \$576,598 compared with an operating loss of \$912,105 reported for the prior year. Total revenues decreased by \$332,756 while operating expenses decreased by \$350,462 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 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.

**Cincinnati Speech & Reading Intervention Center**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012  
(Unaudited)

**Financial Analysis**

Table 1 provides a summary of the School's net assets for 2012 and 2011:

**Table 1**  
**Net Assets at Year End**

	2012	2011
Assets:		
Current Assets	\$ 306,729	\$ 239,370
Capital Assets, Net	1,351,121	1,400,696
Total Assets	1,657,850	1,640,066
Liabilities		
Current Liabilities	610,056	492,885
Non-Current Liabilities	618,168	868,236
Total Liabilities	1,228,224	1,361,121
Net Assets:		
Invested in Capital Assets	526,084	335,659
Restricted	63,920	1,208
Unrestricted	(160,378)	(57,922)
Total Net Assets	\$ 429,626	\$ 278,945

Current Assets increased by \$67,359 during fiscal year 2012. This increase is primarily the result of an increase in cash and cash equivalents resulting from improved operations.

Capital Assets, Net decreased by \$49,575 during fiscal year 2012. This decrease represents the amount in which current year depreciation exceeded current year acquisitions.

Total liabilities of the School decreased \$132,897 over those reported one year ago. This decrease is the result of payments decreasing outstanding notes payable offset by increase in accounts payable due to timing of payments.

The total net assets reported for fiscal year 2012 improved by \$150,681. Unrestricted net assets decreased by \$102,456 while restricted net assets increased by \$62,712. Net assets invested in capital assets, net of related debt, increased by \$190,425. This represents the amount in which capital acquisitions and note principal payments exceeded capital asset depreciation during the fiscal year.

**Cincinnati Speech & Reading Intervention Center**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012  
(Unaudited)

**Financial Analysis**

Table 2 provides a summary of the School's change in net assets for 2012 and 2011:

**Table 2**  
**Changes in Net Assets**

	2012	2011
<b>Operating Revenues:</b>		
Foundation Revenues	\$ 1,748,539	\$ 1,762,864
Miscellaneous	11,320	11,950
Total Operating Revenues	1,759,859	1,774,814
<b>Operating Expenses:</b>		
Salaries and Wages	886,105	1,030,296
Fringe Benefits	229,975	275,595
Purchased Services	990,777	1,174,103
Materials and Supplies	127,282	114,893
Depreciation	61,888	48,081
Other	40,430	43,951
Total Operating Expenses	2,336,457	2,686,919
Operating Income (Loss)	(576,598)	(912,105)
<b>Nonoperating Revenues</b>		
Federal Grants	710,596	1,013,054
State Grants	3,334	5,000
Donations and Contributions	12,849	26,026
Other Nonoperating Revenues	500	1,000
Total Nonoperating Revenues	727,279	1,045,080
Change in Net Assets	150,681	132,975
Net Assets, Beginning of Year	278,945	145,970
Net Assets, End of the Year	\$ 429,626	\$ 278,945

Total revenue decreased \$332,756 in fiscal year 2012, in comparison with the prior fiscal year, primarily as a result of decreased funding from federal grants directly related to loss of stimulus grants compared to the previous fiscal year.

Total expenses decreased \$350,462 in fiscal year 2012, in comparison with the prior fiscal year, primarily due to loss of additional grant funds and administration of the grants.

**Cincinnati Speech & Reading Intervention Center**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012  
(Unaudited)

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**Capital Assets**

At fiscal year-end, the School had \$1,351,121 invested in capital assets, a decrease of \$49,575 in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation of \$61,888 exceeded current year capital acquisitions of \$12,313. See Note 5 of the basic financial statements for additional details.

**Debt**

At fiscal year-end, the School had \$825,037 in notes payable, a decrease of \$240,000 in comparison with the prior fiscal year. This decrease represents the current year principle payments and premium amortization of \$196,801 and \$43,199, 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.

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

STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

**Assets:**

Current Assets:

Cash and cash equivalents	\$ 198,981
Intergovernmental Receivable	104,559
Accounts Receivable	3,189
Total Current Assets	306,729

Non-Current Assets:

Capital Assets, net of accumulated depreciation	1,351,121
Total Noncurrent Assets	1,351,121

Total Assets	1,657,850
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**Liabilities:**

Current Liabilities:

Accounts Payable	310,577
Accrued Wages and Benefits Payable	55,899
Intergovernmental Payable	34,078
Unearned Revenue	2,633
Notes Payable	206,869
Total Current Liabilities	610,056

Noncurrent Liabilities:

Notes Payable	618,168
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Total Liabilities	1,228,224
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**Net Assets:**

Invested in Capital Assets Net of Related Debt	526,084
Restricted for State and Federal Grants	54,444
Restricted for Local Grants and Contributions	9,476
Unrestricted	(160,378)
Total Net Assets	\$ 429,626

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 ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<b>Operating Revenues:</b>	
Foundation Payments	\$ 1,748,539
Miscellaneous Revenue	11,320
Total Operating Revenues	1,759,859
 <b>Operating Expenses:</b>	
Salaries	886,105
Fringe Benefits	229,975
Purchased Services	990,777
Materials and Supplies	127,282
Depreciation	61,888
Other	40,430
Total Operating Expenses	2,336,457
Operating Income (Loss)	(576,598)
 <b>Non-Operating Revenues (Expenses):</b>	
Federal Grant Revenue	710,596
State Grant Revenue	3,334
Donations and Contributions	12,849
Other Non-Operating Revenues	500
Total Non-Operating Revenues (Expenses)	727,279
Change in Net Assets	150,681
Net Assets Beginning of Year	278,945
Net Assets End of Year	\$ 429,626

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, 2012

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	\$ 1,748,539
Cash Received from Miscellaneous	11,320
Cash Payments to Suppliers for Goods and Services	(942,289)
Cash Payments to Employees for Services & Benefits	(1,180,297)
<b>Net Cash Used for Operating Activities</b>	<u>(362,727)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants (Federal & State)	737,755
Cash Received from Donations and Contributions	12,849
Cash Received from Other Non-Operating Activities	500
<b>Net Cash from Noncapital Financing Activities</b>	<u>751,104</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(58,178)
Payments for Principal on Notes Payable	(196,801)
Payments for Interest on Notes Payable	(43,199)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(298,178)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	90,199
Cash and Cash Equivalents at Beginning of Year	<u>108,782</u>
Cash and Cash Equivalents at End of Year	<u>\$ 198,981</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:	
Operating Income (Loss)	\$ (576,598)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:	
Depreciation	61,888
Changes in Assets and Liabilities:	
Accounts Receivable	(1,970)
Accounts Payable	216,200
Accrued Wages	(64,042)
Intergovernmental Payable	1,795
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (362,727)</u>

See accompanying notes to the basic financial statements.

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## **Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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### **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 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.

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 operated under the direction of a four-member Board of Trustees (the Board) as of June 30, 2012. 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 12 non-certified and 16 certificated full time teaching personnel who provided services to 236 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 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 entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. 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.

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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**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 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 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.

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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**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:

<u>Description</u>	<u>Estimate Life</u>
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. The foundation funding is 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 nonoperating 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, 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, if any, and donations and contributions 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.

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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**Note 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 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 2012 contract.

Intergovernmental payable – payment for the employer’s share of the retirement contribution, Medicare and Workers’ Compensation associated with services rendered during fiscal year 2012 that 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. Restricted net assets of the School at year-end represent unspent federal, state, and local grants and contributions for specific programs. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**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.

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.

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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**Note 3 – Deposits and Investments (Continued)**

At June 30, 2012, the carrying amount of the School's deposits was \$198,981 and the bank balance was \$216,418. The entire bank balance was collateralized under FDIC insurance. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**Note 4 – Intergovernmental Receivables**

All intergovernmental receivables are considered collectible in full due to the stable condition of Federal grant programs. Intergovernmental Receivable at fiscal year-end consisted entirely of federal grants.

**Note 5 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets:</b>				
Buildings	\$ 1,312,500	\$ -	\$ -	\$ 1,312,500
Furniture and Equipment	199,001	12,313	-	211,314
Total Depreciable Capital Assets	<u>1,511,501</u>	<u>12,313</u>	<u>-</u>	<u>1,523,814</u>
<b>Accumulated Depreciation:</b>				
Buildings	(20,125)	(26,250)	-	(46,375)
Furniture and Equipment	(90,680)	(35,638)	-	(126,318)
Total Accumulated Depreciation	<u>(110,805)</u>	<u>(61,888)</u>	<u>-</u>	<u>(172,693)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 1,400,696</u>	<u>\$ (49,575)</u>	<u>\$ -</u>	<u>\$ 1,351,121</u>

The School has not perfected the title for 1812 Central Parkway as of June 30, 2012. Since the school has the risk and benefit of the building, along with the related debt, it is included in the table above.

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

**Note 6 – Notes Payable**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	\$ 953,376	\$ -	\$ (196,801)	\$ 756,575	\$ 206,869
Notes Premium	111,661	-	(43,199)	68,462	-
<b>Total</b>	<b><u>\$ 1,065,037</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (240,000)</u></b>	<b><u>\$ 825,037</u></b>	<b><u>\$ 206,869</u></b>

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, \$196,801 and \$43,199 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:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 206,869	\$ 33,131	\$ 240,000
2014	217,453	22,547	240,000
2015	228,578	11,422	240,000
2016	103,675	1,362	105,037
<b>Total</b>	<b><u>\$ 756,575</u></b>	<b><u>\$ 68,462</u></b>	<b><u>\$ 825,037</u></b>

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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**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 Indiana Insurance Company for property and general liability insurance coverage as follows:

Commercial Property (Coinsurance is 90%; \$1,000 deductible)	
Business Personal Property Included	\$ 7,501,000
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 United Health Care. 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.

## Cincinnati Speech and Reading Intervention Center

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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### **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](http://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, 2012, the allocation to pension and death benefits is 12.7%. The remaining 1.30% 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, 2012, 2011, and 2010, were \$17,198, \$36,175, and \$14,321, respectively. The entire amount has been contributed for fiscal years 2010 and 2011. For fiscal year 2012, the School has contributed 96% of the required amount. The unpaid contribution has been recorded as a liability.

#### **(b) State Teachers Retirement System**

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

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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**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 31<sup>st</sup> 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.

## Cincinnati Speech and Reading Intervention Center

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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### **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 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% 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, 2012, 2011, and 2010 were \$104,475, \$94,380, and \$30,008, respectively. The entire amount has been contributed for fiscal years 2010 and 2011. For fiscal year 2012, the School has contributed 76% 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 2012 was \$99.00 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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**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 2012, the actuarially required allocation is .75%. The School's contributions for the years ended June 30, 2012, 2011 and 2010 were \$1,015, \$2,328, and \$1,182, respectively. The entire amount has been contributed for fiscal years 2010 and 2011. For fiscal year 2012, the School has contributed 96% of the required amount. The unpaid contribution has been recorded as a liability.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. 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 2012, the minimum compensation level was established at \$35,800. 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, 2012, 2011, and 2010 were \$3,798, \$10,244, and \$9,422, respectively. The entire amount has been contributed for fiscal years 2010 and 2011. For fiscal year 2012, the School has contributed 96% of the required amount. The unpaid contribution has been recorded as a liability.

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

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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**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](http://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 2012, 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, 2012, 2011, and 2010 were \$8,037, \$7,260, and \$2,308, respectively. The entire amount has been contributed for fiscal years 2010 and 2011. For fiscal year 2012, the School has contributed 76% of the required amount. The unpaid contribution has been recorded as a liability.

**Note 10 – Restricted Net Assets**

At fiscal year-end, the School reported restricted net assets totaling \$63,920. The Nature of the net asset restrictions are as follows:

State and Federal Grants	\$ 54,444
Local grants and contributions	9,476
Total	<u>\$ 63,920</u>

## **Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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### **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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, 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 12 – Contracted Fiscal Services**

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, 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 School Resource Center 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<sup>st</sup> 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.

M&A School Resource Center was paid \$160,000 for fees during the fiscal year by the School. Amounts payable to M&A School Resource Center at the end of fiscal years 2011 and 2012 were \$77,587 and \$270,345, respectively.

**Cincinnati Speech and Reading Intervention Center**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2012

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**Note 13 – Purchased Services**

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

Professional and Technical Services	\$ 345,793
Contractual Fiscal Services	349,206
Building Rent	10,589
Repairs and Maintenance	16,167
Utilities	67,194
Contracted Food Services	174,077
Other Pupil Transportation	3,328
Garbage Removal and Cleaning	13,230
Other Purchased Services	11,193
Total Purchased Services	<u>\$ 990,777</u>

**Note 14 – 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 \$11,321 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 \$9,196.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
Program Title			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
National school breakfast	10.553	\$ 61,982	\$ 47,949
National school lunch	10.555	156,130	120,782
Total U.S. Department of Agriculture		<u>\$ 218,112</u>	<u>\$ 168,731</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Special Education:			
IDEA Part B	84.027	42,015	42,013
Early Childhood IDEA Part B	84.173	342	528
Total Special Ed Cluster		<u>42,357</u>	<u>42,541</u>
Title I:			
Title I, Consolidated	84.010	167,296	166,436
Title I, School Improvement Sub A	84.010	26,676	27,625
Total Title I Cluster		<u>193,972</u>	<u>194,061</u>
Safe & Drug Free Schools	84.186	(506)	0
Improving Teacher Quality - Title II-A	84.367	0	85
Race to the Top	84.395	997	997
Education Jobs	84.410	85,827	83,031
21st Century Comm Learning Center	84.287	193,918	198,032
Total U.S. Department of Education		<u>\$ 516,565</u>	<u>\$ 518,747</u>
<b>Total</b>		<u>\$ 734,677</u>	<u>\$ 687,478</u>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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



# Dave Yost • Auditor of State

## 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 business-type activities of the Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2012, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 19, 2013. 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 Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### Compliance and Other Matters

As part of reasonably assuring whether the Center'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated March 19, 2013.

We intend this report solely for the information and use of management, Board of Directors, the Community School's sponsor, and federal awarding agencies and pass-through entities and others within the Center. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 19, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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:

### Compliance

We have audited the compliance of Cincinnati Speech and Reading Intervention Center, Hamilton County, Ohio (the Center), with the types of compliance 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, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and questioned cost identifies the Center's major federal programs. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Center's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with these requirements.

As described in finding 2012-001 in the accompanying schedule of findings, the Center did not comply with requirements regarding Eligibility applicable to its Child Nutrition Cluster, major federal program. Compliance with this requirement is necessary, in our opinion, for the Center to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Cincinnati Speech and Reading Intervention Center complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-001 to be a material weakness.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Center's management in a separate letter dated March 19, 2013.

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

We intend this report solely for the information and use of management, the board of directors, the Community School's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 19, 2013

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>Yes</b>
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified – 21<sup>st</sup> Century Grant CFDA #84.287 Unqualified – Nutrition Cluster CFDA #10.553 and #10.555</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	<b>Yes</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<b>21<sup>st</sup> Century Grant CFDA #84.287 Nutrition Cluster CFDA #10.553 and #10.555</b>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	<b>Type A: &gt; \$ 300,000 Type B: all others</b>
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>No</b>

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Noncompliance/Material Weakness**

<b>Finding Number</b>	2012-001
<b>CFDA Title and Number</b>	Nutrition Cluster CFDA # 10.553 and 10.555
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**7 C.F.R. 210.9 (b) (18)** requires that each school food authority must “maintain files of currently approved and denied free and reduced price applications, respectively, and the names of children approved for free lunches based on direct certification..., which must be readily retrievable by school.”

**7 C.F.R. 210.9 (b) (19)** states that school food authorities must “Retain the individual applications for free and reduced price lunches and meal supplements submitted by families for a period of 3 years after the end of the fiscal year to which they pertain or as otherwise specified under paragraph (b)(17) of this section.”

The School failed to provided Free and Reduced Lunch applications or documentation verifying direct certification for 48 of the 60 students selected for eligibility testing. We reviewed the building eligibility report on the Ohio Department of Education web site which noted 95.26% of the students were low income indicating the majority of the students would qualify for the free and reduced lunch program, however, without the applications we could not determine if the 48 students that have missing applications would have qualified for the free or the reduced lunch.

We recommend that the School ensure that Free and Reduced Lunch applications or documentation verifying direct certification are maintained to ensure that eligibility for free and reduced lunch is properly determined.

**Officials’ Response:**

The internal controls practice for the School now states that irreplaceable forms, like Free and Reduced Lunch forms, are scanned and electronic copies saved on the school's and/or management company's server.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	The internal controls practice for the School now states that irreplaceable forms, like Free and Reduced Lunch forms, are scanned and electronic copies saved on the school's and/or management company's server.	Already completed	Office Manager

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

Ohio Rev. Code Section 117.53 states, in part, "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 Intervention Center (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the School amended its anti-harassment policy at its meeting on May 30, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying and to provide a semiannual written summary of all reported incidents to the president of the center board and post the summary on its web site, if the center has a web site, to the extent permitted.

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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 19, 2013

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# 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  
APRIL 9, 2013