WEB DUBOIS ACADEMY
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

WEB DUBOIS ACADEMY
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

WEB DuBois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

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

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

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

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

As discussed in Note 18 to the financial statements, the School has suffered recurring losses from operations and has a net asset deficiency. Note 18 describe Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 17 to the financial statements, on August 25, 2009, the Ohio Department of Education made the determination that the School would terminate operations as of June 30, 2010 due to poor academic performance as defined in section 3314.35 of the Ohio Revised Code. Management has not disclosed plans related to the closing of the School.

The School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 29, 2010

Our discussion and analysis of the W.E.B. Dubois Academy's (School's) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2007. 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 notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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 Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

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

- Assets totaled $1,837,874, a 160.6% increase from fiscal year 2005. Liabilities were $1,901,790, a 166.1% increase from fiscal year 2005.

- In total, net assets decreased $54,405 which represents a 572.0% decrease from 2005. This decrease was due to an increase in debt obligations.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a 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.

One of the most important questions asked about the School's finances is, "Is the School better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School.

Table 1 provides a summary of the School's net assets for fiscal year 2006 and 2005:

(Table 1)
Net Assets

	2006	2005
Assets:		
Current Assets	$ 528,886	$ 313,636
Capital Assets, Net	1,308,988	391,556
Total Assets	1,837,874	705,192
Liabilities:		
Current Liabilities	379,774	151,941
Long Term Liabilities	1,522,016	562,762
Total Liabilities	1,901,790	714,703
Net Assets:		
Invested in Capital Assets, net of debt	0	60,900
Unrestricted	(63,916)	(70,411)
Total Net Assets	$ (63,916)	$ 9,511

A significant portion of the School's total assets (71.2%) reflects capital assets less any depreciation. The School uses capital assets to provide services; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets of the School have decreased $54,405 and unrestricted net assets reflect a negative balance of $63,916. The decrease in net assets is primarily due to an increase in debt obligations.

Table 2 provides a summary of the School's changes in net assets for fiscal year 2006 and 2005:

(Table 2)
Changes in Net Assets

	2006	2005
Operating Revenues:		
Sales	$ 6,739	$ 0
Foundation payments	2,441,196	2,856,282
Charges for services	1,271,885	0
Other Operating Revenues	241,036	148,881
Non-Operating Revenues:		
State subsidies	42,118	10,727
Federal subsidies	585,773	514,864
Total Revenues	4,588,747	3,530,754
Operating Expenses:		
Salaries & Wages	2,174,630	1,616,950
Fringe Benefits	668,026	473,708
Mgmt Company Services	249,773	0
Purchased Services	457,230	333,248
Materials & Supplies	492,315	516,792
Depreciation	166,648	188,403
Miscellaneous	405,714	376,833
Non-Operating Expenses:		
Interest expense	28,816	28,253
Total Expenses	4,643,152	3,534,187
Change in Net Assets	$ (54,405)	$ (3,433)

The School's revenue increased in all areas except foundation payments which declined, in part, due to an FTE adjustment in the 2006 fiscal year for the 2005 fiscal year. The growth is primarily due to increased enrollment over the prior school year. Similarly, the expenses for salaries and fringes increased as a result of having more staff members to serve the increased number of students.

Capital Assets

The School has $1,308,988 invested in capital assets net of depreciation. The most significant addition to the School's capital assets for the 2006 fiscal year was a school building valued at $629,061 on the books. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

Debt

At June 30, 2006, the School had a balance of $210,239 on a long-term loan payable, $64,894 for a bus loan payable and $1,246,882 on a new promissory note. This represents an overall increase of $959,253. Note 10 to the basic financial statements summarizes the School's long-term liabilities.

Current Financial Issues

The future financial stability of the School is not without challenges. The major challenge is the state economy. The School does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School. Based upon Ohio legislation signed into law in mid-2009 regarding school closure rules, the School will be terminating operations at the end of the 2009-2010 school year.

Contacting the Academy

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions regarding this report or need additional information contact: Doug Mangen, Treasurer at 1812 Central Parkway, Cincinnati, Ohio 45214.

W.E.B. DuBois Academy

Hamilton County

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

Assets		
Current Assets		
Cash and Investments	$	105,700
Receivable - Accounts		196,457
Intergovernmental Receivable		226,729
Total Current Assets		528,886
Non-Current Assets		
Capital assets (Net of Accumulated Depreciation		1,308,988
Total Assets		1,837,874
Liabilities		
Current Liabilities		
Accounts Payable		189,348
Intergovernmental Payable		190,426
Total Current Liabilities		379,774
Long-Term Liabilities		
Due within one year		163,579
Due in more than one year		1,358,437
Total Long-Term Liabilities		1,522,016
Total Liabilities		1,901,790
Net Assets		
Unrestricted		(63,916)
Total Net Assets	$	(63,916)

See accompanying notes to the financial statements.

W.E.B. DuBois Academy

Hamilton County

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

Operating Revenues		
Sales	$	6,739
Foundation Payments		2,441,196
Charges for Services		1,271,885
Other Operating Revenues		241,036
Total Operating Revenues		3,960,856
Operating Expenses		
Salaries & Wages		2,174,630
Fringe Benefits		668,026
Mgmt Company Services		249,773
Purchases Services		457,230
Materials & Supplies		492,315
Depreciation		166,648
Miscellaneous		405,714
Total Operating Expenses		4,614,336
Operating Loss		(653,480)
Non-Operating Revenues and (Expenses)		
State subsidies		42,118
Federal subsidies		585,773
Interest Expense		(28,816)
Total Non-Operating Revenues		599,075
Changes in Net Assets		(54,405)
Net Assets Beginning of Year		(9,511)
Net Assets End of Year	$	(63,916)

See accompanying notes to the financial statements.

W.E.B. DuBois Academy

Hamilton County

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Cash Flows from Operating Activites:		
Cash received from sales	$	3,134
Cash received from Foundation Payments		2,578,163
Cash received from charges for services		1,081,433
Cash received from Other Operating Revenues		238,636
Cash payments for personal services		(2,855,332)
Cash payments for management company services		(249,773)
Cash payments for contract services		(599,343)
Cash payments for supplies and materials		(265,590)
Cash payments for Miscellaneous		(422,915)
Net Cash Provided by (Used for) Operating Activities		(491,587)
Cash Flows from Noncapital Financing Activites:		
Cash flow from Federal & State Subsidies		517,731
Cash received from Note proceeds		1,271,882
Principal payments		(312,628)
Net Cash Provided by Noncapital Financing Activities		1,476,985
Cash Flows from Capital and Related Financing Activities:		
Payments for Capital Acquisitions		(1,084,080)
Payment for Interest on Capital Acquisitions		(28,816)
Net Cash Provided for Capital and Related Financing Activities		(1,112,896)
Net decrease in cash and cash equivalents		(127,498)
Cash and cash equivalents at beginning of year		233,198
Cash and cash equivalents at end of year	$	105,700
Reconcililation of Operating Income to Net Cash Provided by (Used for) Operating Activities		
Operating Loss	$	(653,480)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities		
Depreciation		166,648
Changes in Assets and Liabilities:		
Accounts Receivable		(196,457)
Accounts Payable		78,421
Accrued Wages and Benefits		(14,742)
Intergovernmental Payable		128,023
Total Adjustments		161,893
Net Cash Provided by (Used for) Operating Activities	$	(491,587)

See accompanying notes to the financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

W.E.B. Dubois Academy, Hamilton County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide an appropriate education facility and program for all age groups and to provide instruction in courses which meet general educational requirements compatible with and approved by the State of Ohio. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the School.

The School was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2000. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School entered into a new sponsor agreement for the period July 1, 2005 through June 30, 2010 with The Thomas B. Fordham Foundation.

The charter agreement with the sponsor required the School to develop a nonprofit corporation. Equal Playing Field Corporation was incorporated under Chapter 1702 of the Ohio Revised Code on August 23, 1999, as the not for profit corporate board of W.E.B. DuBois Academy (See Note 16 regarding the School's Federal tax status). Equal Playing Field meets once a year to reappoint the Board of Trustees of the School and to give them authority to make all decisions for the School. During fiscal year 2006, the School entered into contracts, signed agreements, issued debt, and conducted business under the name of Equal Playing Field. Two of the board members for Equal Playing Field are also board members of the School.

The School also had a contractual relationship with Youth Empowerment for the provision of services to support the operation of the School. The relationship between W.E.B. DuBois Academy and Youth Empowerment ended on May 26, 2006.

The fiscal operations of the School are under the direction of a seven member Board of Trustees. The Board is responsible for formulating policies regarding fiscal operations and monitoring the expense of funds. During part of 2006, the School's Treasurer also served as the Chief Financial Officer and was responsible for directing the financial affairs of the School including accounting, purchasing, insurance, and payroll and for reporting the progress of the School against those responsibilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB statements and interpretations issued after November 30, 2989. The more significant of the School's accounting policies are described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

Enterprise accounting is used to track and report the School's financial activities. Enterprise accounting is used to account for operations that are financed in a manner similar to private business enterprises where the intent is that the cost (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.

B. Measurement Focus and Basis of Accounting

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 Statement of Changes in Net Assets present increases and decreases in net total assets. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

Basis of accounting determines when transactions are recognized in the accounts and reported in the financial statements. The School's financial statements are prepared using the accrual basis of accounting. 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 the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

D. Cash and Deposits

All monies received by the School are accounted for by the School's Treasurer. For cash management, all cash received by the Treasurer is deposited within various bank accounts.

The School had no investments during the fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets and Depreciation

Fiscal assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure. 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.

Depreciation of furniture and equipment is computed using the straight line method over an estimated useful live of five years. Leasehold improvements to capital assets are depreciated over the remaining useful live of the related capital assets. Depreciation of buildings is computed using the straight line method over an estimated useful life of thirty years.

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenue in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

G. Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

H. Operating Revenues and Expenses

Operating revenues are those revenues generated directly from the primary activities. For the School, these revenues are primarily foundation payments. Operating expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

I. Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities Payable

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

Accounts Payable – payment for goods and services received by the School.

Intergovernmental Payable – payment for funding adjustments by the Ohio Department of Education.

3. DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

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 repayments 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 secured.

At fiscal year end, the carrying amount of the School's deposits was $105,700 and the bank balance was $146,064. Of the bank balance, $100,000 was covered by federal depository insurance and $46,064 was exposed to custodial credit risk because it was uninsured and uncollateralized.

4. RECEIVABLES

Receivables at June 30, 2006, consisted of accounts receivable in the amount of $196,457 and intergovernmental receivables (federal grants) of $226,729. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

5. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2006, follows:

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Capital Assets being depreciated				
Buildings	$ 0	$ 629,061		$ 629,061
Leasehold Improvements	831,132	455,019		1,286,151
Furniture and Equipment	115,181	0		115,181
Vehicles	93,142	0		93,142
Total Capital Assets, Being Depreciated	1,039,455	1,084,080		2,123,535
Less: Accumulated Depreciation				
Buildings	0	6,990		6,990
Leasehold Improvements	588,830	120,366		709,196
Furniture and Equipment	50,467	20,664		71,281
Vehicles	8,602	18,628		27,080
Total Accumulated Depreciation	647,899	166,648		814,547
Capital Assets, Net	$ 391,556	$ 917,432		$ 1,308,988

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2006, the School contracted with Monroe Guaranty Insurance Company for property insurance. There is a $500 deductible with a $100,000 limit. General liability coverage has a $1,000,000 single occurrence limit and $2,000,000 aggregate and no deductible.

Employee dishonesty is protected by Monroe Guaranty Insurance Company with a $50,000 blanket bond.

B. Worker's Compensation

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

C. Employee Medical and Dental Benefits

The School carries medical and dental insurance for all employees of the School.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contribution for pension obligations to SERS for the years ending June 30, 2006, 2005 and 2004 were $73,564, $59,355 and $80,485 respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that may be obtained by writing to State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and the employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

7. DEFINED BENEFIT PENSION PLANS (Continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time, irrevocable decision to transfer their account balances from the existing DB Plan into the DC or Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

The School's required contribution for pension obligations to STRS for the years ending June 30, 2006, 2005 and 2004 were $229,037, $138,516 and $94,464 respectively, equal to the required contributions for each year.

8. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate. The board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. At June 30, 2006, the balance in the Fund was $3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were $282,743,000 and eligible benefit recipients totaled 119,184.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. The Board currently allocates employer contributions equal to 3.43% of covered payroll to fund health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at $35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the healthcare fund. The target level for the healthcare reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for healthcare at June 30, 2006 were $158,751,207. At June 30, 2006, SERS had net assets available for payments for health care benefits of $295.6 million. SERS has 59,492 participants eligible to receive benefits.

9. OTHER EMPLOYEE BENEFITS

Insurance Benefits

The School has contracted with a private carrier to provide employee health insurance. The School paid 100% of the monthly premium for fiscal year 2006, the total monthly premium was $780 for family coverage and $260 for single coverage.

The School provides life insurance to all employees through a private carrier. Coverage in the amount of $15,000 is provided to all employees.

10. NON-CURRENT LIABILITIES

Debt Obligations

The School held the following debt during the fiscal year:

PNC Bank Line of Credit with a limit of $290,000 dated August 18, 2003 and expiring on September 1, 2008. The interest rate on the line of credit is variable at the prime rate and payable in monthly installments of $2,417 plus accrued interest. The balance at June 30, 2006 is $210,239.

PNC Bus Loan in the amount of $78,357 dated May 23, 2005 and expiring June 1, 2010. The interest rate on the bus loan is fixed at 6.875% and payable in monthly installments of $1,553 including accrued interest. The balance at June 30, 2006 is $64,894.

PNC Loan in the amount of $282,609 dated September 22, 2004 and expiring September 22, 2009. The loan was paid off using the promissory note from the Hubert Family Foundation.

The Hubert Family Foundation provided a promissory note in the amount of $1,700,000 dated February 28, 2006. The School has borrowed $1,271,882 of the total amount and is required to make monthly payments in the amount of $10,000.

Issue	Interest Rate	Issue Date	Maturity Date	7/1/05 Balance	Additions	Deductions	6/30/06 Balance	Due within 1 Year	Due more than 1 year
PNC Loan	0.04	8/18/03	9/1/08	239,243		29,004	210,239	29,004	181,235
PNC Bus Loan	0.06875	5/2305	6/1/10	78,357		13,463	64,894	14,575	50,319
PNC Loan	0.0600	9/22/04	9/22/09	245,162		245,162	0		
Hubert Family Foundation	0.06	02/28/06	10/01/26	0	1,271,882	25,000	1,246,882	120,000	1,126,882
				562,762	1,271,882	312,629	1,522,015	163,579	1,358,436

11. OPERATING LEASE

The School has a five year lease with Camp Washington Community Board, Inc. for 11,000 square feet of building space to be used for educational and administrative purposes. In fiscal year 2006, the School paid $60,000 for their lease. There was an additional charge of $15,793 for utilities.

12. CAPITAL LEASE

The School has a ten year lease with Knowlton Terminals, Inc. for building space at 1905 Elm Street to be used for educational and administrative purposes. The lease includes a purchase option which must be exercised not less than six months prior to the end of the lease on July 13, 2013. In fiscal year 2006, the School paid $48,000 for their lease. There were additional fees of $2,470.

13. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the School at June 30, 2006.

B. State Funding

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

14. PURCHASED SERVICES

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

Professional and Technical Services	$ 77,234
Property Services	248,780
Communications	29,271
Utilities	64,124
Pupil Transportation	29,211
Miscellaneous	8,610
Total Purchased Services	$ 457,230

15. CONTRACTED SERVICES

The School is a party to service agreements with Veritas/Cesar Chavez Academy and Cincinnati Speech & Reading Intervention Center, wherein the School provides for administrative services at a cost of $85 per student per month. The provision of fiscal services, including treasurer services, is included in this administrative fee.

16. TAX EXEMPT STATUS

The School has obtained its § 501(c)(3) tax exempt status under the name of Equal Playing Field Corporation. They are closing this would affect their status

17. SUBSEQUENT EVENTS

On August 25, 2009, the Ohio Department of Education made the determination that the School would terminate operations as of June 30, 2010 due to poor academic performance as defined in section 3314.35 of the Ohio Revised Code.

18. MANAGEMENT PLAN FOR NEGATIVE NET ASSETS

The financial plan for recovering from the negative net asset position is to restrict spending for administration and operating expenses to a level below 20% of core operating expenses.

19. NONCOMPLIANCE

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

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

WEB DuBois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited the financial statements of the WEB DuBois Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2006, and have issued our report thereon dated April 29, 2010 wherein we noted the School incurred an operating loss and negative net asset balance. Also, it was noted that the School has unpaid audit fees and has an independence impairment regarding these fees. We also noted the School will permanently close and their contract will be terminated on June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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

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Compliance and Other Matters

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

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 29, 2010

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

FINDING NUMBER 2006-001

Noncompliance

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

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

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

- No enrollment forms were presented for audit specifically enrolling students in WEB DuBois Academy could be located for one of the 40 students (3%).
- For the 21 students tested who were withdrawn during the school year no student withdrawal form were presented for audit for one of the 28 students (5%).
- Student files were incomplete. For six of the 40 (15%) student files tested, a copy of the student's birth certificate and/or social security card were not on file.

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

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

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

FINDING NUMBER 2006-001
(Continued)

Officials' Response:

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

WEB DUBOIS ACADEMY
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2005-001	Finding for Recovery for public money illegally expended against Wilson H. Willard III and Shirley Mason	No	Finding not repaid as of April 29, 2010
2005-002	Finding for Recovery for public money illegally expended against Wilson H. Willard III	No	Finding not repaid as of April 29, 2010
2005-003	Finding for Recovery for July and August 2004 and 2005 foundation payments	No	Finding not repaid as of April 29, 2010
2005-004	Finding for Recovery for public money illegally expended against WEB DuBois Academy and Wilson H. Willard III.	No	Finding not repaid as of April 29, 2010
2005-005	Finding for Recovery for public money illegally expended against Wilson H. Willard III, James Pemberton and Shirley Mason	No	Finding not repaid as of April 29, 2010
2005-006	Finding for Recovery for public money illegally expended against Wilson H. Willard III, Shirley Mason, Cincinnati Speech and Reading Intervention Center and Veritas Gifted Academy.	No	Finding not repaid as of April 29, 2010
2005-007	Finding for Recovery for public money illegally expended against Wilson H. Willard III	No	Finding not repaid as of April 29, 2010
2005-008	Finding for Recovery for public money illegally expended against Youth Empowerment	No	Finding not repaid as of April 29, 2010
2005-009	Finding for Recovery for public money illegally expended against Wilson H. Willard III, Shirley Mason and Youth Empowerment	No	Finding not repaid as of April 29, 2010
2005-010	Finding for Recovery for public money illegally expended against Wilson H. Willard III, Shirley Mason and Youth Empowerment	No	Finding not repaid as of April 29, 2010
2005-011	Finding for Recovery for public money illegally expended against Wilson H. Willard III	No	Finding not repaid as of April 29, 2010
2005-012	Finding for Recovery for public money illegally expended against Shirley Mason and Youth Empowerment	No	Finding not repaid as of April 29, 2010

2005-013	Finding for Recovery for public money illegally expended against Wilson H. Willard III, Shirley Mason and Youth Empowerment	No	Finding not repaid as of April 29, 2010
2005-014	Service Contracts with Youth Empowerment should be evaluated for estimated cost to determine if cost effective to outsource services	Partially	The contract was in place for fiscal year 2006 but discontinued thereafter
2005-015	Ohio Rev. Code Section 9.38 – Deposits of Cash	Yes	
2005-016	Reportable Condition - Ohio Rev. Code Section 3314.03(A)(11)(d) – Failure to maintain certain documentation	Yes	
2005-017	Reportable Condition – Expenditure Documentation and Accurate Leave Records.	Yes	
2005-018	Reportable Condition – Monitoring Controls including reconciliations	Partially	Repeated in separate letter to management
2005-019	Reportable Condition – Bank Account under the name of Equal Playing Field and reporting activity related to that account.	Yes	
2005-020	Reportable Condition – Authorized Signatories for School Accounts.	Yes	
2005-021	Reportable Condition – Maintaining Updated Capital Asset Listing.	Yes	

Mary Taylor, CPA
Auditor of State

WEB DUBOIS ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 1, 2010

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