



Mary Taylor, CPA
Auditor of State

VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets.....	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings.....	25

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INDEPENDENT ACCOUNTANTS' REPORT

Veritas Cesar Chavez Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited the accompanying basic financial statements of Veritas Cesar Chavez Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veritas Cesar Chavez Academy, Hamilton County, Ohio as of June 30, 2007, 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 13 to the financial statements, Veritas Cesar Chavez Academy ceased operations July 23, 2007. Management's plans related to the closing of the School are discussed in Note 13 to the financial statements.

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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

April 29, 2010

Veritas / Cesar Chavez Academy
Management's Discussion and Analysis
For the Year Ended June 30, 2007 and 2006
(Unaudited)

The discussion and analysis of Veritas / Cesar Chavez Academy's (the School) financial performance provides an overall review of the 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Fiscal year 2006 represented the first year of operations of the School. The Board of Trustees of the School voted to suspend operations of the School after the completion of the 2006-2007 school year. The School ceased operations effective July 23, 2007.

Financial Highlights

Key financial highlights for the Veritas / Cesar Chavez Academy during fiscal year 2007 are as follows:

- Total net assets of the School declined by \$31,213, from \$3,070 at the end of fiscal year 2006 to (\$28,143) at the end of fiscal year 2007.
- Total assets were \$68,782 and total liabilities were \$96,925 as of June 30, 2007.
- The School's operating loss for fiscal year 2007 was \$48,317.
- Total operating revenues were \$162,768 while operating expenses were \$211,085. Total non-operating revenues were \$17,714 while non-operating expenses were \$610.

Key financial highlights for the Veritas / Cesar Chavez Academy during fiscal year 2006 are as follows:

- Total net assets of the School improved by \$8,820, from (\$5,750) at the end of fiscal year 2005 to \$3,070 at the end of fiscal year 2006.
- Total assets were \$68,868 and total liabilities were \$65,798 as of June 30, 2006.
- The School's operating loss for fiscal year 2006 was \$5,924.
- Total operating revenues were \$185,825 while operating expenses were \$191,749. Total non-operating revenues were \$14,744 while non-operating expenses were \$0.

Veritas / Cesar Chavez Academy
 Management's Discussion and Analysis
 For the Year Ended June 30, 2007 and 2006
 (Unaudited)

Using this Financial Report

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

Statement of Net Assets

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

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated. Table 1 provides a summary of the School's net assets for fiscal years 2007 and 2006.

Table 1
Net Assets

	2007	2006
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 46,271	\$ 31,597
Intergovernmental Receivable	\$ 22,511	\$ 37,271
Total Assets	\$ 68,782	\$ 68,868
 LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 80,885	\$ 50,798
Intergovernmental Payable	\$ 16,040	\$ 15,000
Total Liabilities	\$ 96,925	\$ 65,798
 NET ASSETS:		
Restricted	\$ 8,440	\$ -
Unrestricted	\$ (36,583)	\$ 3,070
Total Net Assets	\$ (28,143)	\$ 3,070

Veritas / Cesar Chavez Academy

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

The total assets of the School decreased from \$68,868 to \$68,782 during fiscal year 2007. There were no capital assets purchased during this 12 month period. Total liabilities increased from \$65,798 to \$96,925 during fiscal year 2007. There were no long-term liabilities incurred during this 12 month period. The total net assets reported for fiscal year 2007 were (\$28,143), a decrease of \$31,213 from the previous fiscal year. Unrestricted net assets were (\$36,583) while restricted net assets were \$8,440.

Changes in Net Assets

Table 2 shows the changes in net assets for the past two fiscal years. Total revenues were \$180,482, 90% from State Foundation payments during fiscal year 2007. Operating expenses for fiscal year 2007 were \$211,695, including \$207,509 directed toward the purchase of instructional, administrative, facilities, transportation and related services.

Table 2
Change in Net Assets

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Foundation Payments	\$ 162,768	\$ 175,075
Other Operating Revenue	-	10,750
Non Operating Revenues:		
Federal Grant Revenue	9,368	9,744
State Grant Revenue	8,300	5,000
Interest Earnings	46	-
Total Revenues	<u>180,482</u>	<u>200,569</u>
Operating Expenses:		
Fringe Benefits	-	5,000
Purchased Services	207,509	186,670
Other Operating Expenses	3,576	79
Non Operating Expenses:		
Interest and Fiscal Charges	610	-
Total Expenses	<u>211,695</u>	<u>191,749</u>
Change in Net Assets	(31,213)	8,820
Net Assets, beginning of year	<u>3,070</u>	<u>(5,750)</u>
Net Assets, end of year	<u>\$ (28,143)</u>	<u>\$ 3,070</u>

Veritas / Cesar Chavez Academy
Management's Discussion and Analysis
For the Year Ended June 30, 2007 and 2006
(Unaudited)

Capital Assets

At the end of fiscal year 2007 and 2006, the School did not have any capital assets.

Debt

The School had no debt during the 2007 and 2006 fiscal years.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Veritas / Cesar Chavez Academy 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 Veritas / Cesar Chavez Academy, 6500 Poe Avenue, Suite 350, Dayton, Ohio 45414.

VERITAS / CESAR CHAVEZ ACADEMY

STATEMENT OF NET ASSETS AS OF JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 46,271	\$ 31,597
Intergovernmental Receivable	22,511	37,271
TOTAL ASSETS	<u>68,782</u>	<u>68,868</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	80,885	50,798
Intergovernmental Payable	16,040	15,000
Total Current Liabilities	<u>96,925</u>	<u>65,798</u>
TOTAL LIABILITIES	<u>96,925</u>	<u>65,798</u>
NET ASSETS		
Restricted	8,440	-
Unrestricted	<u>(36,583)</u>	<u>3,070</u>
TOTAL NET ASSETS	<u>\$ (28,143)</u>	<u>\$ 3,070</u>

See accompanying notes to the financial statements.

VERITAS / CESAR CHAVEZ ACADEMY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES:		
Foundation Payments	\$ 162,768	\$ 175,075
Other Operating Revenues	-	10,750
Total Operating Revenues	162,768	185,825
OPERATING EXPENSES		
Salaries & Wages	-	-
Fringe Benefits	-	5,000
Purchases Services	207,509	186,670
Materials and Supplies	3,425	-
Depreciation	-	-
Other Expenses	151	79
Total Operating Expenses	211,085	191,749
Operating Loss	(48,317)	(5,924)
NON-OPERATING REVENUES		
Federal Grant Revenue	9,368	9,744
State Grant Revenue	8,300	5,000
Interest Earnings	46	-
Total Non-Operating Revenues	17,714	14,744
NON-OPERATING EXPENSES		
Interest and Fiscal Charges	610	-
Total Non-Operating Expenses	610	-
Changes in Net Assets	(31,213)	8,820
Net Assets (Accumulated Deficit) at Beginning of Year	3,070	(5,750)
Net Assets at End of Year	\$ (28,143)	\$ 3,070

See accompanying notes to the financial statements.

VERITAS / CESAR CHAVEZ ACADEMY
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND 2006

	2007	2006
INCREASE IN CASH AND CASH EQUIVALENTS		
Cash Flows from Operating Activites		
Cash Received from State of Ohio	\$ 186,995	\$ 151,888
Other Cash Receipts	-	10,750
Cash Payments for Employee Benefits	-	(9,340)
Cash Payments for Goods and Services	(180,998)	(135,872)
Other Cash Payments	-	(79)
Net Cash Provided by Operating Activities	5,997	17,347
Cash Flows from Noncapital Financing Activites		
Cash Received from Federal Grants	941	-
Cash Received from State Grants	8,300	5,000
Interest Income	46	-
Interest and Fiscal Charges	(610)	-
Net Cash Provided by Noncapital Financing Activities	8,677	5,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,674	22,347
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	31,597	9,250
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 46,271	\$ 31,597
Reconcilation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Loss	\$ (48,317)	\$ (5,924)
Changes in Assets and Liabilities:		
Intergovernmental Receivable	23,187	(27,527)
Accounts Payable	30,087	50,798
Intergovernmental Payable	1,040	-
Net cash provide by operating activities	\$ 5,997	\$ 17,347

See accompanying notes to the financial statements.

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**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

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

1. Description of the School and Reporting Entity

The Veritas Cesar Chavez Academy (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades 1 through 12. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Fiscal year 2006 represented the first year of operations for the School. As discussed in Note 13, the Board of Trustees of the School voted to suspend operations of the School after the completion of the 2006-2007 school year. The School ceased operations effective July 23, 2007.

The Thomas B. Fordham Foundation was the School's sponsor during fiscal year 2007 and 2006. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support activities staffed by instructional and administrative personnel from the W.E.B. DuBois Academy who provided services to an average of 26 students during the 2006-2007 school year and 27 students during the 2005-2006 school year.

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

2. Summary of Significant Accounting Policies

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

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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 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

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

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

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.

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

The School had no investments during fiscal year 2007 or 2006.

E. Capital Assets

The School had no capital assets during fiscal year 2007 or 2006.

F. Estimates

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

G. Intergovernmental Revenues

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

H. Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations comprise the non-operating expenses.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its Statement of Net Assets relating to expenses, which are due but unpaid as of June 30, 2007 and 2006, including:

Intergovernmental payable – payment for the services provided by another school entity rendered during fiscal year 2007 and 2006 expected to be paid in the subsequent fiscal year.

J. Federal Tax Exemption Status

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

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the School at year-end represent unspent federal and state grant resources for specific instructional program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Deposits and Investments

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

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

At fiscal year end 2007, the carrying amount of the School's deposits was \$46,271 and the bank balance was \$64,646. The entire bank balance was covered by federal depository insurance.

At fiscal year end 2006, the carrying amount and the bank balance of the School's deposits was \$31,597. The entire balance was covered by federal depository insurance.

4. Intergovernmental Receivables

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2007 and 2006 are as follows:

<u>Grants Receivables</u>	<u>Amount</u>
June 30, 2007 State Grants / Payments	\$22,511
June 30, 2006 State Grants / Payments	\$37,271

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

5. Risk Management

A. Property and Liability

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

During 2007 and 2006, W.E.B. DuBois provided school facilities and other services as part of the School's service agreement. W.E.B. DuBois obtained private insurance coverage for property and general liability insurance for W.E.B. DuBois, Veritas/Cesar Chavez and the Cincinnati Speech and Reading Intervention Center collectively.

Collective coverages are as follows:

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

B. Workers' Compensation

The School contracted with the W.E.B. DuBois Academy for the provision of instruction and administrative staff. The W.E.B. DuBois Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is determined by the State.

C. Employee Medical and Dental Benefits

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

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

6. Defined Benefit Pension Plans

A. School Employees Retirement System

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

The W.E.B. DuBois Academy contributes to the School Employees Retirement System (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, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. W.E.B. DuBois Academy is responsible for contributing the appropriate amounts for their employees who provide services to the School.

B. State Teachers Retirement System

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

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

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

6. Defined Benefit Pension Plans (Continued)

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

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

For the fiscal year ended June 30, 2007 and 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

7. Post-employment Benefits

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal years ended June 30, 2007 and 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) 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 STRS had 119,184 eligible benefit recipients.

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

7. Post-employment Benefits (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007 and 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries.

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

8. Restricted Net Assets:

The School reported restricted net assets at June 30, 2007 and 2006 as \$8,440 and \$0, respectively.

9. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at June 30, 2007 and 2006.

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE did not conduct enrollment or FTE reviews for either 2006 or 2007 school years.

10. Contracted Fiscal Services:

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

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

11. Purchased Services

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

Professional and Technical Services	\$ 175,332
Property Services	14,400
Pupil Transportation	7,800
Miscellaneous	9,977
Total Purchased Services	\$ 207,509

12. Noncompliance

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

13. Subsequent Events

The Board of Trustees for the School voted to suspend operations of the School after the completion of the 2006-2007 school year. The Ohio Department of Education lists the date of closure as July 23, 2007. However, the Board of Trustees did not vote to terminate the organization until January 19, 2008. The Board members voted unanimously to confirm their approval to terminate the charter of the Veritas / Cesar Chavez Academy and to authorize the Treasurer to take the steps necessary to pay all obligations, complete the final audits and formally dissolve the organization.

Subsequent to June 30, 2007, the School received and disbursed monies for operational purposes and disbursements required as a part of closing the school for the period from July 1, 2007 through May 31, 2009. The following table summarizes the cash balance at June 30, 2007, and subsequent cash receipts and cash disbursements:

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

13. Subsequent Events (Continued)

Beginning Cash Balance		\$ 46,271.00
Receipts		
10/9/2007		600.00
10/28/2008		4,340.00
	Total Receipts	\$ 4,940.00
Disbursements		
Check#	Vendor	
7/31/2007	7108	2,400.00
	Keys to Improving Dayton Schools (Accounting services)	
9/17/2007	7110	2,100.00
	Ohio Department of Education (Reimbursement)	
1/11/2008	7111	1,039.65
	State of Ohio (FY07 FTE adjustment)	
2/25/2008	7112	457.35
	Time Warner – Cincinnati (Utility services)	
2/29/2008	7113	4,166.40
	Mangen and Associates (Accounting services)	
2/29/2008	N/A	10.00
	PNC Bank (Service Fee)	
5/14/2008	7114	50.00
	Treasurer, State of Ohio (Filing fee)	
6/27/2008	7115	500.00
	Clark, Schaefer, Hackett & Co.(Accounting services)	
10/22/2008	7116	4,938.92
	Treasurer, State of Ohio (Auditor Fees)	
11/10/2008	7117	864.61
	Ohio Department of Education (Refund)	
11/10/2008	7118	40.81
	Ohio Department of Education (Refund)	
11/10/2008	7119	8.95
	Ohio Department of Education (Refund)	
11/10/2008	7120	18.77
	Ohio Department of Education (Refund)	
11/10/2008	7121	7.46
	Ohio Department of Education (Refund)	
11/18/2008	7122	1,941.76
	Treasurer, State of Ohio (Auditor Fees)	
12/22/2008	7123	1,938.07
	Treasurer, State of Ohio (Auditor Fees)	
2/13/2009	7124	9,428.31
	Treasurer, State of Ohio (Auditor Fees)	
3/2/2009	N/A	120.00
	PNC Bank (Service Fee)	
3/24/2009	7125	1,647.68
	Treasurer, State of Ohio (Auditor Fees)	
4/30/2009	7126	3,810.12
	Treasurer, State of Ohio (Auditor Fees)	
5/27/2009	N/A	15,000.00
	WEB Dubois Academy (Service Agreement Fees)	
5/27/2009	7127	722.37
	Treasurer, State of Ohio (Auditor Fees)	
	Total Disbursements	\$ 51,211.00
Cash Balance as of May 31, 2009		\$ -

After close out of the School's bank account the School owes WEB \$63,484 in unpaid service agreement charges and \$6,673 in unpaid audit fees due the Auditor of State.



Mary Taylor, CPA

Auditor of State

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

Veritas Cesar Chavez Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Directors:

We have audited the financial statements of the Veritas Cesar Chavez Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2007 and 2006, and have issued our report thereon dated April 29, 2010, wherein we noted that the School ceased operations July 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

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

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 29, 2010

VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

FINDING NUMBER 2007-001

Finding for Recovery

Ohio Rev. Code, Section 3314.03(A)(6)(b), requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in 105 consecutive hours of the learning opportunities offered to the student. During the 2006-2007 school year, the School offered 5.11 hours of instruction per day; therefore, a student could not have missed more than 21 consecutive non-excused days before being considered withdrawn from the school.

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

- No file could be located for one of the School's 45 students.
- No enrollment forms were presented for audit specifically enrolling students in Veritas Cesar Chavez Academy 29 of the 45 students; however, for 28 of the 29 exceptions, we did find enrollment forms indicating student enrollment in either WEB DuBois Academy or Cincinnati Speech and Reading Intervention Center (related schools).
- For the 13 students who were withdrawn during the school year, no student withdrawal form(s) were presented for audit for 12 of the 13 students.
- Student files were incomplete. For ten of the 45 student files, a copy of the student's birth certificate and/or social security card were not on file.

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

Of the seven students identified:

- Two students were active at the end of the year but should have been withdrawn at least seven months earlier;
- Two students should have been withdrawn two to four months earlier;
- Two students should have been withdrawn three to six weeks earlier and;
- One student should have been withdrawn one month earlier.

For the seven students deemed to be overfunded, the number of days overfunded ranged from 21 to 135 days. The total number of days overfunded for all students combined totaled 441 days.

**FINDING NUMBER 2007-001
(Continued)**

For fiscal year 2007, ODE provided a base amount and a cost of doing business factor for weighted foundation amount for each student in attendance at the School totaling \$5,585.88. We divided the ODE funding amount by the maximum 920 hours of learning opportunities eligible for funding times 5.11 hours of instruction provided per day to arrive at a daily FTE unit rate per student of \$31.03. We multiplied the combined unallowable 441 days by a daily FTE unit rate of \$31.03 ($\$5,585.88/920 \text{ hours} * 5.11 \text{ hours per day} = \31.03) to calculate ODE's overpayment to the School of \$13,684.23 ($\$31.03 * 441 \text{ days} = \$13,684.23$).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Veritas Cesar Chavez Academy for public money illegally expended in the amount of \$13,684 and in favor of the Ohio Department of Education.

Of the 7 students indicated above the School improperly received base foundation funding totaling \$13,684. Due to the complex nature of calculating the special education foundation payment amount, we will refer the calculation of the special education overpayment amount to ODE for calculation.

Officials' Response:

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.

**VERITAS CESAR CHAVEZ ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

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

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



Mary Taylor, CPA
Auditor of State

VERITAS CESAR CHAVEZ 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**