MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Main Street Automotive Magnet School
Montgomery County
440 Hunter Ave
Dayton, Ohio 45402

To the Governing Board:

We were engaged to audit the accompanying basic financial statements of Main Street Automotive Magnet School, Montgomery County (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.

Management has not provided the Auditor of State certain written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the School's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the School's compliance with laws and regulations; the identification and disclosures to the Auditor of State of all laws, regulations, and provisions of contract and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants; the identification of all federal assistance programs, and compliance with federal grant requirements.

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.

Supporting documentation was not maintained for certain expenses totaling $256,776. Unsupported expenses represent 28 percent and 150 percent of the School's total expenses and net assets respectively.

Supporting documentation was not maintained for capital asset amounts included on the basic financial statements. Capital assets represent 79 percent and 106 percent of the School's assets and net assets, respectively.

Supporting documentation was not maintained for student full-time equivalencies reported to the Ohio Department of Education (ODE). Full-time equivalencies are used by ODE to calculate the School's State Foundation Settlement payments. School Foundation revenue represents 75 percent and 453 percent of the School's total revenues and net assets respectively.

In addition, the School's legal counsel did not respond to our request for their opinion regarding any contingent liabilities.

As described in Note 15, Main Street Automotive Magnet School was place under suspension by their sponsor, Lucas County Educational Service Center on August 7, 2008.

We cannot reasonably determine the capital asset, revenue, expense, and contingent liability amounts for the basic financial statements.

Since the School's legal counsel did not provide an opinion regarding the existence of possible contingencies and the School did not maintain supporting documentation for certain expenses, capital assets, and student full-time equivalencies and we were unable to apply other auditing procedures to satisfy ourselves about the existence and completeness of these items, as discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the basic financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2009, except note 15 which is dated July 14, 2009, 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.

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 did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of 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, 2009, except note 15 which is dated July 14, 2009.

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The discussion and analysis of the Main Street Automotive Magnet 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- In total, net assets increased $118,440, which represents a 226.2 percent increase from fiscal year 2006.
- Total assets increased $60,283, which represents a 35.4 percent increase from fiscal year 2006.
- Total liabilities decreased by $58,157, which represents a 49.3 percent decrease from fiscal year 2006.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how the School did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Statement of Net Assets

The statement of net assets includes all assets and liabilities, both short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the fiscal year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal years 2007 and 2006.

**(Table 1)
Net Assets**

	2007	2006	Change
Assets			
Current Assets	$ 48,979	$48,912	$ 67
Capital Assets, Net	181,695	121,479	60,216
Total Assets	230,674	170,391	60,283
Liabilities			
Long-Term Liabilities		39,150	(39,150)
Current Liabilities	59,871	78,878	(19,007)
Total Liabilities	59,871	118,028	(58,157)

(Continued)

(Table 1)
Net Assets
(Continued)

	2007	2006	Change
Net Assets			
Invested in Capital Assets	181,695	121,479	60,216
Restricted	4,083	3,941	142
Unrestricted (Deficit)	(14,975)	(73,057)	58,082
Total Net Assets	$170,803	$52,363	$118,440

Total net assets increased by $118,440. The increase was due primarily to a decrease in long-term liabilities from the pay-off of a business loan and capital assets acquisitions. The decrease in current liabilities was mainly because in the prior fiscal year a liability was recognized for compensated absences for one employee who was eligible to retire. Therefore, there are no compensated absences payable at fiscal year-end. The decrease in long-term liabilities resulted from a pay-off on the outstanding business loan during the fiscal year. Invested in capital assets increased mainly due to asset acquisitions.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School increased by $58,082 because of the decrease in long-term liabilities.

Table 2 shows the changes in net assets for fiscal years 2007 and 2006.

(Table 2)
Change in Net Assets

	2007	2006	Change
Operating Revenues			
State Foundation	$758,444	$525,550	$232,894
Poverty Based Assistance	14,525	11,212	3,313
Miscellaneous	3,244		3,244
Total Operating Revenues	776,213	536,762	239,451
Non-Operating Revenues			
Federal and State Grants	214,593	385,808	(171,215)
Gifts and Donations	46,557	765	45,792
Total Non-Operating Revenues	261,150	386,573	(125,423)
Total Revenues	1,037,363	923,335	114,028
Operating Expenses			
Salaries	216,533	250,616	(34,083)
Fringe Benefits	60,869	47,621	13,248
Purchased Services	420,338	339,363	80,975
Rent	93,670	79,605	14,065
Materials and Supplies	99,987	49,297	50,690
Depreciation	25,033	3,684	21,349
Total Operating Expenses	916,430	770,186	146,244
Non-Operating Expenses			
Interest and Fiscal Charges	2,493	2,884	(391)
Total Expenses	918,923	773,070	$145,853
Change in Net Assets	118,440	150,265	
Net Assets (Deficit) at Beginning of Year	52,363	(97,902)	
Net Assets at End of Year	$170,803	$52,363	

The decrease in salaries expense was mainly due to the non-replacement of a principal in fiscal year 2007. The significant increase in materials and supplies expense was primarily due to increases of items purchased for miscellaneous federal grants. Purchased services increased due primarily to an increase in management company expenses. State foundation increased due to increases in enrollment. Federal and State grants decreased due to a decrease in miscellaneous State grants.

Capital Assets

At the end of fiscal year 2007, the School had $181,695 invested in furniture and equipment, an increase of $60,216 from fiscal year 2006. Table 3 shows fiscal years 2007 and 2006 balances.

(Table 3)
Capital Assets (Net of Depreciation) at June 30,

	2007	2006
Furniture and Equipment	$181,695	$121,479

For more information on capital assets, refer to Note 4 of the basic financial statements.

Debt Administration

Principal payments of $44,150 were made during fiscal year 2007 to pay off the business loan. Refer to Note 10 of the basic financial statements for additional information.

Contacting the School's Financial Management

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 about this report or need additional information contact Phyllis Bixler, Treasurer at Main Street Automotive Magnet School, 267 Hickory Drive, Greenville, OH 45331, or e-mail at ww_treas@mdeca.org.

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MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets:	
Current Assets:	
Cash and Cash Equivalents	$17,735
Intergovernmental Receivable	31,244
Total Current Assets	48,979
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	181,695
Total Assets	230,674
Liabilities:	
Current Liabilities:	
Accounts Payable	30,317
Accrued Wages and Benefits Payable	18,129
Intergovernmental Payable	11,425
Total Liabilities	59,871
Net Assets:	
Invested in Capital Assets	181,695
Restricted for Other Purposes	4,083
Unrestricted (Deficit)	(14,975)
Total Net Assets	$170,803

See accompanying notes to the basic financial statements.

MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY

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

Operating Revenues:	
State Foundation	$758,444
Poverty Based Assistance	14,525
Miscellaneous	3,244
Total Operating Revenues	776,213
Operating Expenses:	
Salaries	216,533
Fringe Benefits	60,869
Purchased Services	420,338
Rent	93,670
Materials and Supplies	99,987
Depreciation	25,033
Total Operating Expenses	916,430
Operating Loss	(140,217)
Non-Operating Revenues (Expenses):	
Federal and State Grants	214,593
Gifts and Donations	46,557
Interest and Fiscal Charges	(2,493)
Total Non-Operating Revenues (Expenses)	258,657
Change in Net Assets	118,440
Net Assets at Beginning of Year	52,363
Net Assets at End of Year	$170,803

See accompanying notes to the basic financial statements.

MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows Used for Operating Activities:	
Cash Received from State of Ohio	$787,396
Cash Received from Miscellaneous Sources	3,244
Cash Payments to Employees for Services	(281,886)
Cash Payments to Suppliers for Goods and Services	(628,518)
Cash Payments to Others	
Net Cash Used for Operating Activities	(119,764)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	203,799
Gifts and Donations	46,557
Business Loan Proceeds	5,000
Business Loan Principal Payments	(44,150)
Business Loan Interest Payments	(2,493)
Net Cash Provided by Noncapital Financing Activities	208,713
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Acquisitions	(85,249)
Net Increase in Cash and Cash Equivalents	3,700
Cash and Cash Equivalents at Beginning of Year	14,035
Cash and Cash Equivalents at End of Year	17,735
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(140,217)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	25,033
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	14,427
Decrease in Accounts Payable	(334)
Increase in Accrued Wages and Benefits Payable	1,069
Decrease in Intergovernmental Payable	(11,495)
Decrease in Compensated Absences Payable	(8,247)
Total Adjustments	20,453
Net Cash Used for Operating Activities	($119,764)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Main Street Automotive Magnet School (the "School") is an Ohio Public Benefit Corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades 9 through 12. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the School.

The School is a non-profit organization that is in the process of obtaining exemption from federal income taxes as a tax exempt organization under Section 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

The School was approved for operation under contract with the Lucas County Educational Service Center (the "Sponsor") commencing September 20, 2004 and ending June 30, 2009. 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 contracted with RJ Investments to perform extended educational services, such as contract for goods and services, select personnel, and procurement of insurance. One member of RJ Investments also serves on the School's Governing Board.

The School operates under the direction of a five-member Governing 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 primary government of the School consists of one fund, several departments and the Board. School programs include general operations and student related activities of the School. The School is associated with the Metropolitan Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 14)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The School uses a single enterprise fund to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents 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 its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

D. Revenues – Exchange and Non-Exchange Transactions

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 fiscal 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.

E. Expenses

Expenses are recognized at the time they are incurred.

F. Cash and Cash Equivalents

The School maintains an interest bearing depository account. All funds of the School are maintained in this account. This account is presented on the statement of net assets as "Cash and Cash Equivalents". The School had no investments during fiscal year 2007.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of one thousand dollars. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Description	Estimated Life
Furniture and Equipment	5-30 years

H. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported on the statement of net assets.

I. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the Poverty Based Assistance Program, and the State Special Education Program. Revenues received from these programs are recognized as 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 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.

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. 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 review concluded that the School had been underpaid by $20,450.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes include resources restricted for required food service operations and federal and State grants restricted to expenditures for specified purposes.

The government-wide statement of net assets reports $4,083 of restricted net assets, none of which are restricted by enabling legislation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Operating Revenues and Expenses

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

L. 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.

M. 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 Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract agreement between the School and its Sponsor does not prescribe a budgetary process for the School.

3. RECEIVABLES

Receivables at June 30, 2007, consisted of intergovernmental (State Foundation and Federal and State grants) receivables. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Student Foundation	$20,450
EMIS	3,200
Title II-A	911
Literacy Grant	5,000
WIA	1,683
Total Intergovernmental Receivable	$31,244

4. CAPITAL ASSETS

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

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Capital Assets Being Depreciated:				
Furniture and Equipment	$125,163	$85,249		$210,412
Less Accumulated Depreciation:				
Furniture and Equipment	(3,684)	(25,033)		(28,717)
Total Capital Assets Being Depreciated, Net	$121,479	$60,216	$0	$181,695

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 fiscal year 2007, the School contracted with Insurance First of Columbus for general liability, property, and fleet insurance. The types and amounts of coverage include the following:

Commercial General Liability	
Per Occurrence	$1,000,000
Per person: Medical payments	5,000
General Aggregate	2,000,000
Depositor's Forgery or Alteration	10,000
Public Employee Dishonesty	10,000

There have been no significant changes in insurance coverage from the last fiscal year. Settled claims have not exceeded insurance coverage for the past three fiscal years.

B. Workers' Compensation

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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 43215-3746, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications

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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were $1,904, $8,443 and $2,550, respectively; 85.74 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006 and 2005.

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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, 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

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were $16,742 $23,092 and $15,747, respectively; 87.90 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

7. POSTEMPLOYEMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs 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 year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled $1,288 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was $3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were $282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

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

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, the minimum pay was established at $35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled $4,655.

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 fiscal year. Expenses for health care for the fiscal year ended 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 health care benefits.

8. OPERATING LEASE

The School leases a building and office facility from the Jefferson Offices, LLC, under a non-cancelable operating lease. The term of this lease commences September 1, 2004 and runs through October 31, 2007. The lease payment includes use of the buildings, maintenance, custodial and grounds services. The Lease payment was $93,670 for the fiscal year ended June 30, 2007.

8. OPERATING LEASE (Continued)

The School also leased office space from P.K. Investments, under a non-cancelable operating lease. The term of the lease commences on July 1, 2006, and terminated on June 30, 2007. The lease payments are $1,800 per month. The lease payment was $21,600 for the fiscal year ended June 30, 2007. The School leased office space from Queen of Martyrs Roman Catholic Church, under a non-cancelable operating lease. The term of the lease commences on August 1, 2006, and terminated on May 31, 2007. Upon termination, the School renewed the lease for another year based on the terms and conditions from the initial lease agreement the same. The lease payments are $4,000 per month. The lease payment was $50,000. The School also leased office space from R.J. Investments, under a non-cancelable operating lease. The term of the lease commences on July 1, 2006, and terminated on June 30, 2007. The lease payments are $750 per month. The lease payment was $9,000 for the fiscal year ended June 30, 2007. The School also leased gym space from Mt. Enon Baptist Church, under a non-cancelable operating lease. The term of the lease commenced on September 23, 2006 and terminated on June 30, 2007. The lease payment was $5,110 for the fiscal year ended June 30, 2007. The School also leased office space from Corinthian Baptist Church, under a non-cancelable operating lease. The term of the lease commenced on August 15, 2005 and terminated on October 15, 2005. The lease payment was $250 per week plus $225 per week for janitorial services. The lease payment was $2,470, which included charge for broken door, for the fiscal year ended June 30, 2007. A School also leased office space at Jefferson Street from R.J. Investments, under a non-cancelable operating lease. The term of the lease commenced on September 1, 2004 and terminated on October 31, 2007. The lease payment was $5,490 for the fiscal year ended June 30, 2007.

9. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining sick leave components are derived from State Laws. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 120 days. Upon retirement, payment is made for one-fourth of the total accumulated and unused sick leave balance, up to a maximum of 120 days for employees.

B. Health Insurance

Health insurance is provided through Anthem Blue Cross and Blue Shield.

10. LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2007 were as follows:

Long-Term Obligation	Amount Outstanding 6/30/06	Additions	Deletions	Amount Outstanding 6/30/07
Business Loan	$39,150	$5,000	$44,150	
Compensated Absences	8,247		8,247	
Total Long-Term Obligation	$47,397	$5,000	$52,397	$0

On February 2, 2005, the School entered into a business loan agreement with Sky Bank for operating expenses in the amount of $50,000. The loan contained no maturity date and is due upon Sky Bank's demand. The loan carries a variable interest rate of 2 percent over the prime interest rate. Loan proceeds are accessible through monthly draws; at June 30, 2006 the total draws totaled $39,150. The School received $5,000 more in fiscal year 2007. The School made a principal payment of $44,150 during fiscal year 2007 to pay off the balance.

11. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data of the State, upon which State foundation funding is calculated. This review resulted in an adjustment of $20,450 to foundation revenue and the receivable in fiscal year 2007 financial statements.

C. Litigation

A lawsuit entitled Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on Main Street Automotive Magnet School cannot presently be determined.

12. PURCHASED SERVICES

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

Professional and Technical Services	$338,966
Property Services	41,202
Travel	6,661
Communications	29,634
Other	3,875
Total Expenses	$420,338

13. RELATED PARTY TRANSACTIONS

The community school contract requires one percent of all funds received from the State of Ohio to be transferred to the Lucas County Educational Services Center for sponsorship fees. Total payments made during fiscal year ended June 30, 2007 were $7,866.

14. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association – The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA $3,699 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

15. SUBSEQUENT EVENT

On August 7, 2008, the School's sponsor, Lucas County ESC, placed the School on suspension for failure to meet the student performance requirements stated in the Contract between the sponsor and the School. Lucas County ESC also claimed the School violated state and/or federal laws that apply to community school established in Ohio Revised Code Chapter 3314 while failing to employ sufficient teaching staff that are licensed and certified and meet the Highly Qualified Teacher (HQT) requirements of the law known as No Child Left Behind (NCLB).

On July 14, 2009, the School's sponsor, Lucas ESC, approved a termination letter for the School.

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

Main Street Automotive Magnet School
Montgomery County
440 Hunter Avenue
Dayton, Ohio 45402

To the Governing Board:

We were engaged to audit the financial statements of the business-type activity of Main Street Automotive Magnet School (the School) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 29, 2009, except note 15 which is dated July 14, 2009. We did not opine on the basic financial statements because we cannot reasonably determine the capital asset, full time equivalencies, expenditure, and contingent liability amounts. Except as discussed in the preceding sentence, we conducted our engagement 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-002, 2007-004, 2007-012, and 2007-013.

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Internal Control Over Financial Reporting
(Continued)

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2007-004, 2007-012, and 2007-013 are material weaknesses.

We also noted certain internal control matters that that we reported to the School's management in a separate letter dated April 29, 2009.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-003 through 2007-0013.

We also noted certain or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated April 29, 2009.

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, Governing Board, and sponsor Lucas County Educational Service Center. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 29, 2009, except note 15 which is dated July 14, 2009.

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

FINDING NUMBER 2007-001

Abuse and Significant Deficiency - Lease

Government Auditing Standards, Paragraph 5.15 requires when auditors conclude, based on sufficient, appropriate evidence, that abuse, that is material, either quantitatively or qualitatively, has occurred or is likely to have occurred, they should include in their audit report the relevant information.

Further, *Government Auditing Standards*, Paragraph 4.12, describes abuse as involving behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement.

The School entered into a lease to operate an automotive laboratory at 6550 Poe Avenue in Vandalia, Ohio. The lease was never formally approved by the School's Governing Board. Additionally, this lease was being paid by its management company, RJ Investments, who was reimbursed by the School. This procedure could result in the School being accountable for payments not paid by the management company.

The Lessor entered into a agreement to lease 3 rooms from the building owner. Main Street Automotive Magnet School subleased two of the rooms for the purpose of housing an automotive laboratory for students. The terms of both leases were from October 2005 until June 2007. The Lessor leased the 3 rooms for $7,350 from the owner of the building during the term of the lease, but Main Street Automotive paid $15,570 to sublet only 2 rooms during the same period. As a result, the School paid the Lessor an amount over twice the rental value of three rooms even though the School only rented two rooms. Finally, the School rented space for 21 months for the purpose of housing an automotive laboratory for students but no students ever attended this facility.

The School Governing Board and the Sponsor should establish procedures to review and verify that the contract terms of the lease agreements are in accordance with the objectives for which the School has been established and in the best interest of the School. Also, the School Governing Board should approve all leases in a regular meeting, and pay the lessor directly for leases held by the School.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-002

Significant Deficiency - Workforce Investment Act Grant Receipts

During fiscal year 2007 the School entered into a contract with the Montgomery County Commissioners acting on behalf of the Montgomery County Department of Job and Family Services to receive federal funds under the Workforce Investments Act (WIA) for providing in school and out-of-school training services to enrolled participants ages 14 through 21.

FINDING NUMBER 2007-002
(Continued)

The School posted $26,816 of receipts for these federal funds as miscellaneous revenue instead of intergovernmental federal revenue.

Procedures, such as review by people independent of the receipt process and/or comparison of current year's data with prior years, should be established and implemented to verify the completeness and accuracy of the financial records/statements. Failure to do so could result in material inaccuracies on the School's financial statements being unnoticed and management using incorrect figures in making fiscal decisions. Proper classification of receipts would provide for better tracking of the federal receipts, expenditures and corresponding compliance requirements related to the program and OMB Circular A-133.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-003

Finding For Recovery - Overpayment of Management Fee – Public Monies Illegally expended.

The Professional Service Contract between Main Street Automotive Magnet School and RJ Investments states RJ Investments shall be compensated for all services provided under this agreement by payment of a management fee of eighteen percent (18 %) of applicable revenues. Applicable revenues shall include all funds received by the Board from federal, state, county, and local allocations from grants, but shall not include other donations, gifts, and revenue sources.

For fiscal year 2007 eighteen percent (18%) of all revenue ($1,027,760.36) totaled $184,996.87. At June 30, 2006 the School owed RJ Investments an additional $21,359.26 from the previous year along with $24,392.52 (18% of the 2006 start up grant of $135,514) for a total amount due for the period of $230,748.65. The management fee amount paid for the period was $231,084.05, which resulted in an overpayment in the amount of $335.40.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Joe Singleton, DBA RJ Investments in the amount of $335.40 and in favor of the Main Street Automotive Magnet School.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-004

Noncompliance Citation, Material Weakness

Ohio Admin. Code Section 117-2-02(D) states, in part, that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

> Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Fixed assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

FINDING NUMBER 2007-004
(Continued)

The Capital Asset records maintained by the School presented the assets by class, and did not provide a means of identifying which items were capitalized. The accounting records did not comply with the general requirements mentioned above. For example it did not contain: the acquisition date, voucher number, asset description, location, or the tag number. This could result in an insufficient audit trail or theft of assets converted or misappropriated. Additionally, all assets should be identified with tags so they may be verified to the capital asset listing.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Rev. Code Section 3314.02(E) and **Part II K of the Community School Contract** with the Lucas County Educational Service Center (the Sponsor) state that the school governing authority shall consist of a Board of not less than five individuals who are not owners or employees, or immediate relatives of owners or employees of any for-profit company that operates or manages a school for the governing authority.

During fiscal year 2007, one of the seven Governing Board members was the president of the for-profit management company, RJ Investments.

Procedures should be developed and implemented to verify that the School is in compliance with the required sections of the Ohio Rev. Code and their Sponsor's contract to provide independent oversight by the Board.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-006

Finding For Recovery – Illegal Expenditure/Proper Public Purpose

The Supreme Court case State ex re. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, Ohio Attorney General Opinion 82-006, citing McClure, provides guidance as to what may be construed as a proper public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditures is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

On May 23, 2006 the School paid for security equipment and installation at a warehouse located at 212 South James H. McGee Blvd. in the amount of $9,962.77. Records document that the warehouse was owned by the mother of Joe Singleton, the Director of Main Street Automotive Magnet School and owner of the for-profit management company, RJ Investments. Based on the fact that the School did not own the building or hold a lease agreement with the owner of the warehouse, the School should not have paid for the security equipment and installation at that address.

FINDING NUMBER 2007-006
(Continued)

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Joe Singleton, DBA RJ Investments in the total amount of $9,962.77 and in favor of the Main Street Automotive Magnet School.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No 80-074; Ohio Rev Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No 80-074.

Accordingly, a Finding for Recovery is hereby issued against Phyllis Bixler, Treasurer and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the total amount of $9,962.77, and in favor of the Main Street Automotive Magnet School. Phyllis Bixler and her bonding company, the Cincinnati Insurance Company, shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Joe Singleton, DBA RJ Investments.

Officials' Response

On May 23, 2006 the School paid the sum of $9,962.77, to purchase and install security cameras and other equipment at 212 S. James H. McGee Blvd. This property is owned by a relative of Director Singleton and was intended to house part of the School's automotive program. Due to its location, security equipment is required. However, when the plans for that program did not materialize, the Director retained the equipment with plans to install it in another location. The Director stipulated to Treasurer Bixler that this equipment remain in boxes at the Queen of Martyr location, 4128 Cedar Ridge Ave., Dayton, Ohio 45414. This equipment was purchased for use by the School and constitutes a proper use of School funds.

Auditor of State's Analysis

As stated above, the School did not own or hold a lease for the facility which was owned by the Director's mother and did not provide benefit for the School or its operations and was not for a public purpose.

FINDING NUMBER 2007-007

Finding For Recovery – Illegal Expenditure/Proper Public Purpose

The Supreme Court case State ex re. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, Ohio Attorney General Opinion 82-006, citing McClure, provides guidance as to what may be construed as a proper public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditures is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

FINDING NUMBER 2007-007
(Continued)

On April 25, 2007 Joe Singleton, owner of the for-profit management company, RJ Investments, presented the School with an invoice in the amount of $13,342 for security equipment and installation and on April 29, 2007 the School wrote a check to the vendor in the amount of $13,342. The check was endorsed by RJ Investment and deposited into RJ investments' bank account. The vendor's representative stated that the job was never performed.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Joe Singleton, DBA RJ Investments in the total amount of $13,342 and in favor of the Main Street Automotive Magnet School.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-008

Finding For Recovery – Illegal Expenditure/Proper Public Purpose

The Supreme Court case State ex re. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, Ohio Attorney General Opinion 82-006, citing McClure, provides guidance as to what may be construed as a proper public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditures is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Joe Singleton, owner of the for-profit management company RJ Investments stated that he created an invoice dated July 18, 2007 for the purchase of student chairs, computer desks, sets of Phonic Ears, Electric Mobil Food Warmer, and Cafeteria Refrigerators totaling $5,990 and on July 19, 2007 the School issued a check payable to the vendor in the same amount. Records obtained from National Trends, Inc. documents that on July 25, 2007, Joe Singleton of RJ Investments purchased and signed for an EZGO Golf Cart in the amount of $5,990 with tax exempt status. Our office confirmed that National Trends, Inc. sells used vehicles and does not sell school and cafeteria supplies.

In accordance with the foregoing facts and pursuant to Ohio **Rev. Code Section 117.28,** a Finding for Recovery for public monies illegally expended is hereby issued against Joe Singleton, DBA RJ Investments in the total amount of $5,990 and in favor of the Main Street Automotive Magnet School.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-009

Finding For Recovery – Expenditures Lacking Proper Supportive Documentation

The Supreme Court case State ex re. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, Ohio Attorney General Opinion 82-006, citing McClure, provides guidance as to what may be construed as a proper public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditures is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During the 2006-2007 school year, the School reimbursed RJ Investment for numerous expenditures totaling $10,172 that lacked supporting original vendor invoices and any type of payment receipt documenting proof of payment from RJ Investments to the vendor. On many occasions, Joe Singleton stated that he created the invoice and presented the School with a non-negotiated check from RJ Investments to the vendor for reimbursement. The School reimbursed RJ Investments for the alleged expenditures, however, RJ Investments' bank records document that RJ Investments' checks to the vendors never cleared the bank for payment. All the reimbursements were requested by and made directly to Joe Singleton, president of for-profit RJ Investments. Several of the vendors could not be located by our office and some vendor addresses are nonexistent.

The School's failure to require and maintain adequate support for expenditures resulted in a loss of accountability over the School's finances and in expenditures being made that were not for a proper public purpose.

The School lacked the proper supportive documentation for the following reimbursements made to Joe Singleton and RJ Investments:

Check #	Check Date	Payable to	Amount
1194	10/21/2006	RJ Investments	$ 975.00
1214	11/05/2006	RJ Investments	782.00
1268	12/15/2006	RJ Investments	900.00
1303	1/16/2007	RJ Investments	850.00
1303	1/16/2007	RJ Investments	1,160.00
1326	1/29/2007	RJ Investments	1,240.00
1326	1/29/2007	RJ Investments	1,170.00
1413	3/28/2007	RJ Investments	1,215.00
1426	4/04/2007	RJ Investments	750.00
1426	4/04/2007	RJ Investments	780.00
1436	4/14/2007	RJ Investments	350.00
		Total	**$10,172.00**

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Joe Singleton, DBA RJ Investments in the total amount of $10,172 and in favor of the Main Street Automotive Magnet School.

FINDING NUMBER 2007-009
(Continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No 80-074; Ohio Rev Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No 80-074.

Accordingly, a Finding for Recovery is hereby issued against Phyllis Bixler, Treasurer and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the total amount of $10,172, and in favor of the Main Street Automotive Magnet School. Phyllis Bixler and her bonding company, the Cincinnati Insurance Company, shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Joe Singleton, DBA RJ Investments.

Officials' Response

At the beginning of the Fiscal Year 2007, Treasurer Bixler requested better documentation on reimbursable purchases. The Director created an invoice template to be used for this purpose. Vendor name, address, and signature, along with item description, appear on each invoice. In addition, the payee indicated payment in full with signature on the document. These voucher packets included purchase order, invoice, and in many cases, a copy of the management company check used for actual payment. Treasurer Bixler believes the documentation was more than adequate.

FINDING NUMBER 2007-010

Finding for Recovery – Expenditures Lacking Proper Supportive Documentation

The Supreme Court case State ex re. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, Ohio Attorney General Opinion 82-006, citing McClure, provides guidance as to what may be construed as a proper public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditures is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During the 2006-2007 school year, the School had maintenance expenditures totaling $16,673.34 that either lacked the proper supporting documentation or the documentation provided was inadequate. Also, there was no type of payment receipt documenting proof of payment from RJ Investments to the vendor.

On many occasions, Joe Singleton stated that he created the invoice and presented the School with an non-negotiated check from RJ Investments to the maintenance company for reimbursement. The School reimbursed RJ Investments for the alleged expenditures, however, RJ Investment's bank records document that RJ Investments' checks to the vendor never cleared the bank for payment. All the reimbursements were requested by and made directly to Joe Singleton, president of for-profit RJ Investments.

FINDING NUMBER 2007-010
(Continued)

The School's failure to require and maintain adequate support for expenditures resulted in a loss of accountability over the School's finances and resulted in expenditures being made not for a proper public purpose.

The School lacked the proper supportive documentation for the following payments made to the maintenance company and RJ Investments:

Check #	Check Date	Payable to	Amount
1080	6/28/2006	Maintenance Company	$ 2,560.00
1106	7/21/2006	Maintenance Company	1,890.00
1131	9/6/2006	RJ Investments	1,959.94
1179	10/7/2006	RJ Investments	817.00
1194	10/21/2006	RJ Investments	1,500.00
1368	2/26/2007	RJ Investments	1,059.40
1413	3/28/2007	RJ Investments	498.00
1436	4/14/2007	RJ Investments	748.00
1500	5/30/2007	RJ Investments	855.00
1534	6/21/2007	RJ Investments	895.00
1586	8/5/2007	RJ Investments	1,110.00
1605	8/22/2007	Maintenance Company	940.00
1643	9/19/2007	Maintenance Company	476.00
1669	10/5/2007	Maintenance Company	745.00
1695	10/28/2007	Maintenance Company	620.00
		Total	**$16,673.34**

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Joe Singleton, DBA RJ Investments in the total amount of $16,673.34 and in favor of the Main Street Automotive Magnet School.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No 80-074; Ohio Rev Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No 80-074.

Accordingly, a Finding for Recovery is hereby issued against Phyllis Bixler, Treasurer and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the total amount of $16,673.34, and in favor of the Main Street Automotive Magnet School. Phyllis Bixler and her bonding company, the Cincinnati Insurance Company, shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Joe Singleton, DBA RJ Investments.

Officials' Response

These expenses were for repair and maintenance services to the School provided by one or two individuals using their own tools and transportation. As described above, the Director presented an invoice prepared via the template. These invoices also included descriptions, along with signature of receipt of payment by Isaac Weaver. Mr. Weaver did not have a bank account and, therefore, could not cash checks. He depended on other parties, including RJ Investments, to cash the checks for him and made a written statement to that effect. Again, Treasurer Bixler believes the documentation was more than adequate.

FINDING NUMBER 2007-011

Finding for Recovery – Expenditures Lacking Proper Supportive Documentation

34 CFR 80.37(a) requires that sub grantees follow Federal and State laws and that a provision for compliance with § 80.42 is placed in every cost reimbursement sub grant.

34 CFR 80.42 requires grantees or sub grantees of Federal funds to maintain all financial and programmatic records, supporting documents, statistical records, and other records of which are: (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

Further, **Ohio Revised Code Section 3314.03 (A)(11)(d)** requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 and 3327.10 of the Ohio Rev. Code.

Ohio Rev. Code Section 149.43 states, in part, that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

During the 2006-2007 school year, the School reimbursed RJ Investments from the Federal 21st Century Grant for numerous expenditures totaling $60,202.25 involving costs for transporting students to and from school facilities.

RJ Investments failed to produce any records or documentation regarding students that were transported. All the reimbursements were requested by and made directly to Joe Singleton, president of RJ Investments.

The School's failure to require and maintain adequate student records that support transportation expenditures resulted in a loss of accountability over the School's finances and expenditures that could not be determined if they were for a proper public purpose.

The School lacked the proper documentation for the following reimbursements made to Joe Singleton of RJ Investments relating to the transportation of students:

Check #	Check Date	Payable to	Amount
1850	2/13/2008	RJ Investments	$ 3,000.00
1870	2/20/2008	RJ Investments	3,000.00
1888	3/1/2008	RJ Investments	4,115.00
1888	3/1/2008	RJ Investments	160.50
1941	4/1/2008	RJ Investments	4,115.00
1984	5/1/2008	RJ Investments	4,115.00
2029	6/3/2008	RJ Investments	1,500.00
2037	6/4/2008	RJ Investments	2,615.00
2067	6/23/2008	RJ Investments	1,440.00
1303	1/16/2007	RJ Investments	126.82
1326	1/29/2007	RJ Investments	122.52
1413	3/28/2007	RJ Investments	115.90
1131	9/6/2006	RJ Investments	1,901.63
1179	10/7/2006	RJ Investments	705.46
			(Continued)

FINDING NUMBER 2007-011
(Continued)

Check #	Check Date	Payable to	Amount
1368	2/26/2007	RJ Investments	85.13
1368	2/26/2007	RJ Investments	20.50
1534	6/21/2007	RJ Investments	70.00
1136	9/8/2006	RJ Investments	737.73
1281	12/29/2006	RJ Investments	474.59
1299	1/2/2007	RJ Investments	559.17
1348	2/11/2007	RJ Investments	377.92
1380	3/6/2007	RJ Investments	251.02
1395	3/19/2007	RJ Investments	283.74
1416	3/30/2007	Car Rental Company	791.82
1420	3/31/2007	RJ Investments	180.94
1445	4/20/2007	RJ Investments	598.41
1483	5/11/2007	RJ Investments	624.72
1485	5/19/2007	RJ Investments	271.38
1530	6/12/2007	RJ Investments	904.27
1534	6/21/2007	RJ Investments	841.62
1557	7/16/2007	RJ Investments	846.38
1560	7/18/2007	RJ Investments	1,467.37
1578	7/31/2007	RJ Investments	1,123.30
1590	8/10/2007	Car Rental Company	2,460.57
1619	8/29/2007	RJ Investments	338.40
1630	9/7/2007	Car Rental Company	1,157.91
1638	9/16/2007	Car Rental Company	3,211.90
1646	9/19/2007	RJ Investments	291.34
1667	10/4/2007	RJ Investments	376.26
1682	10/19/2007	Car Rental Company	2,040.23
1701	10/30/2007	RJ Investments	156.21
1726	11/23/2007	Car Rental Company	2,275.15
1732	11/23/2007	RJ Investments	426.15
1768	12/19/2007	RJ Investments	232.23
1777	12/28/2007	Car Rental Company	2,497.92
1778	12/28/2007	RJ Investments	396.73
1804	1/14/2008	RJ Investments	242.43
1811	1/17/2008	RJ Investments	71.10
1820	1/22/2008	RJ Investments	212.75
1821	1/22/2008	Car Rental Company	2,696.98
1839	2/6/2008	RJ Investments	205.00
1853	2/15/2008	RJ Investments	280.01
1866	2/20/2008	Car Rental Company	2,929.64
1888	3/1/2008	RJ Investments	160.50
		Total	**$60,202.25**

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is issued against Joe Singleton, DBA RJ Investments in the total amount of $60,202.25 and in favor of the Main Street Automotive Magnet School.

FINDING NUMBER 2007-011
(Continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby issued against Phyllis Bixler, Treasurer, and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the total amount of $60,202.25, and in favor of the Main Street Automotive Magnet School. Phyllis Bixler and her bonding company shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Joe Singleton, DBA RJ Investments.

In addition, **Ohio Rev. Code Section 3327.10** states in pertinent part:

(A) No person shall be employed as driver of a school bus or motor van, owned and operated by any school district or education service center or privately owned and operated under contract with any school district or service center in this state who has not received a certificate from the school administrator or contractor certifying that such person is a least eighteen years of age, is of good moral character, and is qualified physically and other wise for such position. Each driver shall have an annual physical examination which conforms to the state highway patrol rules, ascertaining the driver's physical fitness for such employment.

(B) Further, any person who drives a school bus or motor van must give satisfactory and sufficient bond except a driver who is an employee of a school district and who drives a bus or motor van owned by the school district.

(C) Any person who drives a school bus or motor van must give satisfactory and sufficient bond except a driver who is an employee of a school district and who drives a bus or motor van owned by the school district

(F)(3) An owner of a school bus or motor van shall not permit any person to operate such a vehicle unless the person meets all other requirements contained in rules adopted by the state board of education prescribing qualifications of drivers of school buses and other student transportation.

(G) No superintendent of school district, education service center, community school, or public or private employer shall permit the operation of a vehicle used for pupil transportation within this state by an individual unless both of the following apply:

1) Information pertaining to that driver has been submitted to the department of education, pursuant to procedures adopted by the department. Information to be reported shall include the name of the employer or school district, name of the driver, driver license number, date of birth, date of hire, status of physical evaluation, and status of training.

2) The most recent criminal records check required by division (J) of this section, including information from the federal bureau of investigation, has been completed and received by the superintendent of public or private employer.

The Ohio Department of Education (ODE) has no record that the School or RJ Investments complied with Ohio law and the Department's requirement that the driver and vehicle used to transport students are registered with the ODE.

FINDING NUMBER 2007-011
(Continued)

Further, **Ohio Rev. Code Sec. 4511.763 (A)** states that no person, partnership, association, or corporation shall transport pupils to or from school on a school bus or enter into a contract with a board of education of any school district for the transportation of pupils on a school bus, without being licensed by the department of public safety.

The Ohio Department of Public Safety has no record of Joe Singleton or RJ Investments being licensed to transport students as required by law.

This matter will be referred to the Ohio Department of Education.

Officials' Response

These expenses were for costs associated with transporting students to and from school and after-school programs, including fuel and vehicle maintenance. Transports were made by minivan, not school bus. Therefore, the requirements of R. C. 4511.763 do not apply. These costs were for a valid public purpose and there were no payments made without contracts or invoices and Board approval.

FINDING NUMBER 2007-012

Noncompliance Citation, Material Weakness

Ohio Rev. Code Section 149.351(A), states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under **sections 149.38** to **149.42** of the Revised Code. Such records shall be delivered by the outgoing official and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The School did not maintain underlying documentation for daily student counts reported on the Ohio Department of Education's Educational Management Information System (EMIS).

Also, of the 449 checks paid during the audit period, the School did not retain original unaltered invoices for 139 checks (totaling $256,776).

The use of original unaltered supporting documentation provides assurance that all checks have been issued properly The School should implement procedures to strengthen controls over the expenditure process and only make payments after obtaining original invoices. In addition, the School should maintain such original supporting documentation with the voucher when the check is issued.

Failure to retain these required public records resulted in an incomplete audit trail and could cause potential problems for future management decisions. The School should implement procedures which would strengthen control over their preservation of records.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-013

Noncompliance Citation, Material Weakness

Ohio Rev. Code Section 3314.03, Ohio Adm. Code Chapter 117 and AOS Bulletin 2000-005, require that the management of each community school be responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

In designing its internal control process, management should consider policies and procedures that provide for the following:

- Appropriate authorization of transactions,
- Adequately designed records to facilitate classification and summarization of transactions
- Security of assets and records
- Periodic reconciliations of account balances
- Periodic verification of assets.

Failure to maintain records to support the financial statements impeded management's ability to make informed decisions and hindered the audit process, resulting in various Finding for Recovery as indicated in Finding #2007-003 and 2007-006 – 2007-011. Procedures should be developed and implemented to provide for the integrity of the financial statements and related assets.

Officials' Response

We did not receive a response from Officials to this finding.

MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY 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; ***Explain***
2006-001	Misclassified Intergovernmental Revenue	No	Reissued as 2007-002.
2006-002	Lease approval and payments.	No	Partially corrected. Reissued as 2007-01
2006-003	ORC 117.28 - Finding for Recovery – Overpayment of Lease	Yes	
2006-004	OAC 117-2-02 (D) Lack of Capital Asset Records	No	Reissued as 2007-004.
2006-005	ORC 117.28 - Finding For Recovery – Lacking Supporting Documentation and not serving a Public Purpose	No	Reissued as 2007-006 through 2007-011
2006-006	ORC 3314.02 (E) and School Contract – The Board included two members of Management Company	No	Partially Corrected. Reissued as 2007-005.
2006-007	ORC 149.351 (A) – Not maintaining supporting documentation for receipts or payments.	No	Reissued as 2007-012.

Mary Taylor, CPA
Auditor of State

MAIN STREET AUTOMOTIVE MAGNET SCHOOL

MONTGOMERY 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
AUGUST 13, 2009

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