NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

INITIAL AUDIT

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

Mary Taylor, CPA
Auditor of State

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

NuBethel Center of Excellence
Montgomery County
3560 West Siebenthaler Avenue
Dayton, Ohio 45406

To the Board of Directors:

We have audited the accompanying basic financial statements of the NuBethel Center of Excellence, Montgomery County (the School) as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

Because of inadequacies in the School's accounting records, we were unable to form an opinion regarding the amount of accounts payable in the accompanying statements of net assets/accumulated deficit stated at $26,961 (or 24% of total liabilities) and $17,275 (or 18% of total liabilities) at June 30, 2007 and 2006, respectively.

In addition, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the School's accounts payable referred to in the first paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of NuBethel Center of Excellence, Montgomery County, as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements indicate the School has incurred working capital deficiencies of $50,131 and $48,468, operating losses of $52,672 and $134,921, and accumulated deficits of $70,610 and $74,487 for the fiscal years ended June 30, 2007 and 2006 respectively. Management's plans regarding these matters are described in Note 16.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2009, except for information presented in the 2007 note 17 and the 2006 note 18, for which the date is March 31, 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 have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 9, 2009, except for information presented in the 2007 note 17 and the 2006 note 18, for which the date is March 31, 2009.

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

The discussion and analysis of the NuBethel Center of Excellence financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance

Financial Highlights

- The School had an accumulated deficit of ($70,610)
- Total assets at fiscal year-end were $ 43,872 and total liabilities were $114,482.
- The School had operating revenues for fiscal year 2007 of $322,649 and operating expenses of $375,321.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. This basic financial statement includes a statement of net assets/accumulated deficit, a statement of revenues, expenses and changes in accumulated deficit, and a statement of cash flows.

Statement of Net Assets / Accumulated Deficit

The Statement of Net Assets / Accumulated Deficit includes all assets and liabilities, both short-term and long-term using the accrual basis of accounting and 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.

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	$ 41,632	$18,655	$22,977
Capital Assets	2,240	2,800	(560)
Total Assets	43,872	21,455	22,417
Liabilities			
Current Liabilities	91,763	67,123	24,640
Long-Term Liabilities	22,719	28,819	(6,100)
Total Liabilities	114,482	95,942	18,540
Net Assets			
Invested in Capital Assets	2,240	2,800	(560)
Restricted for Other Purposes	4,064	14,933	(10,869)
Unrestricted	(76,914)	(92,220)	15,306
Total Net Assets/Accumulated Deficit	($ 70,610)	($74,487)	$ 3,877

Total assets increased $22,417 during the fiscal year ended June 30, 2007. Liabilities increased to $114,482 a change of $18,540 from fiscal year 2006. Total net assets increased by $3,877 for the fiscal year ending 2007.

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	$260,320	$194,959	$65,361
Poverty Based Assistance	62,329	52,400	9,929
Total Operating-Revenues	322,649	247,359	75,290
Non-Operating Revenues			
Federal and State Grants	56,333	43,604	12,729
Interest and Other	216	805	(589)
Gifts and Donations		16,025	(16,025)
Total Non-Operating Revenue	56,549	60,434	(3,885)
Total Revenues	379,198	307,793	71,405
Operating Expenses			
Salaries	150,633	189,770	(39,137)
Fringe Benefits	34,134	27,255	6,879
Purchased Services	141,429	136,021	5,408
Rent	25,122	20,659	4,463
Material & Supplies	23,443	8,575	14,868
Depreciation	560		560
Total Expenses	375,321	382,280	($ 6,959)
Change in Net Assets	3,877	(74,487)	
Net Assets (deficit) at Beginning of Year	(74,487)		
Net Assets (deficit) at End of Year	($70,610)	($74,487)	

Net assets increased by $3,877 for the fiscal year. Due to a late start-up of operations, the School was unable to attract its target enrollment of 200 students. The School experienced an average increase of 7 students over the prior fiscal year. Although this was well below the target enrollment, the School was able to become profitable by thoughtful resource management.

Capital Assets

At the end of the fiscal year 2007, the School had invested $2,240 in furniture and equipment, which is a decrease of $560 due to depreciation expense.

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

	2007	2006
Furniture and Equipment	$2,240	$2,800

For more information on capital assets see Note 5 of the notes to the basic financial statements.

Debt Administration

The School had a total of $22,719 in debt outstanding at June 30, 2007. The funds were loaned to the School by the Board President and Director.

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 Mr. Carl W. Shye Jr, Treasurer at NuBethel Center of Excellence, 3560 West Siebenthaler Avenue, Dayton, OH 45406.

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NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS / ACCUMULATED DEFICIT
AS OF JUNE 30, 2007

Assets	
Current Assets:	
Cash and Cash Equivalents	$21,384
Prepaid Items	19,498
Employee advances	750
Total Current Assets	41,632
Non-Current Assets	
Capital Assets	
Depreciable Capital Assets, Net	2,240
Total Assets	43,872
Liabilities	
Current liabilities	
Accounts payable	26,961
Accrued Wages and Benefits Payable	6,917
Intergovernmental Payables	57,885
Total Current Liabilities	91,763
Long-Term Liabilities	
Loans from Officers	22,719
Total Liabilities	114,482
Net Assets / Accumulated Deficit	
Invested in Capital Assets	2,240
Resticted for Other Purposes	4,064
Unrestricted	(76,914)
Total Net Assets / Accumulated Deficit	($70,610)

See accompanying notes to the basic financial statements.

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

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

Operating Revenues:	
State Foundation	$260,320
Poverty Based Assistance	62,329
Total Operating Revenues	322,649
Operating Expenses:	
Salaries	150,633
Fringe Benefits	34,134
Purchased Services	141,429
Rent	25,122
Materials & Supplies	23,443
Depreciation	560
Total Operating Expenses	375,321
Operating Loss	(52,672)
Non-Operating Revenues:	
Federal and State Grants	56,333
Other	216
Total Non-Operating Revenues	56,549
Change in Net Assets	3,877
Net Assets (Deficit) at Beginning of Year	(74,487)
Net Assets (Deficit) at End of Year	($70,610)

See accompanying notes to the basic financial statements.

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

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

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows Provided by / Used For Operating Activities:	
Cash Received from State of Ohio	$317,760
Cash Payments to Employees for Services	(171,459)
Cash Payments to Suppliers for Goods and Services	(180,308)
Net Cash Used by Operating Activities	(34,007)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	56,333
Other Non-operating Revenues	216
Loan Proceeds	3,900
Loan Payments	(10,000)
Net Cash Provided by Noncapital Financing Activities	50,449
Net Increase in Cash and Cash Equivalents	16,442
Cash and Cash Equivalents at Beginning of Year	4,942
Cash and Cash Equivalents at End of Year	21,384
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss	(52,672)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:	
Depreciation	560
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(5,785)
Increase in Employee Advances	(750)
Increase in Accounts Payable	9,686
Increase in Intergovernmental Payable	21,384
Decrease in Accrued Wages	(6,430)
Total Adjustments	18,105
Net Cash Used For Operating Activities	($34,007)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The NuBethel Center of Excellence (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 K through 6. 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 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. 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 Educational Resource Consultants of Ohio (the Sponsor) commencing April 12, 2005 and ending June 30, 2010. 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 leases its instructional and office space from building from Bethesda Temple Apostolic Church.

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 13)

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 consists of a statement of net assets / accumulated deficit, a statement of revenues, expenses and changes in accumulated deficit, and a statement of cash flows.

The School uses a single enterprise fund to maintain its financial records during the 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 positions 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 assets. The statement of cash flows provides information about how the School finances and meets the 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 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

All monies received by the School are maintained in demand deposit accounts. Total cash is presented as "Cash and Cash Equivalents" on the accompanying statement of net assets / accumulated deficit. 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 five hundred dollars. The School does not possess any infrastructure. Per the policy at the School, no depreciation is taken in the fiscal year of acquisition. 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 capitalized.

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 Lives
Buildings	20-40 years
Furniture	3-5 years
Equipment	3-5 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets, invested in capital assets, consists 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. Restricted net assets include federal and State grants restricted to expenditures for specific purposes. The School applies restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available. For fiscal year 2007 the School had $4,064 in restricted net assets, none of which have been restricted by enabling legislation.

I. 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 the necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

J. Intergovernmental Revenues

The School currently participates in the State Foundation Program, 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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.

M. Prepaid Items

The School had prepaid items consisting of overpayments to SERS & STRS.

3. DEPOSITS

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Schools bank balance of $38,401 was exposed to custodial credit risk because it was uninsured or collateralized securities held by the pledging institution, but not in the School's name.

4. RECEIVABLES

There were no outstanding receivables as of June 30, 2007.

5. CAPITAL ASSETS

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

	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007
Capital Assets Being Depreciated:				
Equipment	$2,800			$2,800
Less Accumulated Depreciation:				
Equipment		($560)		(560)
Total Capital Assets Being Depreciated, Net	$2,800	($560)	$0	$2,240

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Buildings and contents are covered under Mutual Insurance Company. The School carries liability insurance with Mutual Insurance Company of $1,000,000 single occurrence and $2,000,000 aggregate.

During the fiscal year the School's liability insurance lapsed between September 19, 2006 and December 29, 2006.

There has been no reduction in coverage from previous years. Settled claims have not exceeded insurance coverage for the past two fiscal years.

B. Workers' Compensation

The School is required to pay 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.

7. 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, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

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 and 2006 were $5,242 and $3,619 respectively; 73.43 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006.

7. 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 43215-3371, by calling (614) 227-4090, 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 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 2005, 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's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007 and June 30, 2006 were $16,547 and $20,223 respectively. 100 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2007 were $7,795 by the School District and $7,424 made by the plan members.

8. POST-EMPLOYMENT 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 partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

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 $1,273 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was $3.5 billion. For the fiscal year ended June 30, 2007, 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. Premiums may be reduced for retirees whose household income falls below the poverty level.

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. 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 healthcare benefits, including the surcharge, during the 2007 fiscal year equaled $2,233.

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 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.

9. LONG-TERM NOTES

	Amount Outstanding June 30, 2006	Additions	Deletions	Amount Outstanding June 30, 2007
Personal Loan	$28,819	$3,900	$10,000	$22,719

See additional information in note 17.

10. OPERATING LEASE

The School subleases an office facility from Bethesda Temple for School space located at 3560 West Siebenthaler Ave, Dayton Ohio. The term of this lease began September 1, 2007 and continues through August 31, 2007. Rent paid for the building for the year ended June 30, 2007 was $25,122.

11. CONTINGENCIES

A. Grants

The School received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2007.

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 adjustment resulted in an overpayment of $1,439 for fiscal year 2007.

12. RELATED PARTY TRANSACTIONS

The School's Board Chairman, Mr. James Willis and Director, Johnnye Willis made loans to the School to assist it with startup expenses and bolster cash flow. During the fiscal year they loaned the School $3,900, and were repaid $10,000. Combined with the amount outstanding from the prior year, this resulted in an outstanding balance of $22,719 at June 30, 2007.

The School paid a 3% sponsorship fee to Educational Resource Consultant's of Ohio in the amount of $9,470 for FY2007.

During the fiscal year the School paid $34,365 to Director Johnnye Willis, wife of the Board President for wages and reimbursement of School materials.

13. 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.

13. JOINTLY GOVERNED ORGANIZATION (Continued)

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 $2,004 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.

14. PURCHASED SERVICES

	Total Purchased Services
Professional and Technical Services	$ 70,841
Property Services	25,183
Travel	6,943
Communications	6,964
Other	31,498
Total Expenses	$141,429

15. NONCOMPLIANCE

The School did not comply with requirements regarding withholding and remitting U.S, Ohio, and other various payroll tax deductions, and bonding the fiscal officer.

16. MANAGEMENT'S PLANS REGARDING CONTINUED EXISTENCE

As shown in the accompanying financial statements, the Academy had an accumulated deficit of $70,610 as of June 30, 2007, which is primarily due to notes payable of $22,719 and intergovernmental payable of $57,885.

The Academy's long range plans are to seek increased enrollment.

17. SUBSEQUENT EVENT

On March 31, 2009 the Board President and his wife, the Director, were owed $21,719 by the School for personal loans made to the School. The Board President and his wife offset, (or netted), this amount due from the School to return monies to the School that were improperly paid to them during the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

The discussion and analysis of the NuBethel Center of Excellence financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance

Financial Highlights

- The School had an accumulated deficit of $74,487 at June 30, 2006.
- Total assets at June 30, 2006 were $21,455 and total liabilities were $95,942.
- The School had operating revenues for fiscal year 2006 of $247,359 and operating expenses of $382,280.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. This basic financial statement includes a statement of net assets / accumulated deficit, a statement of revenues, expenses and changes in net assets/accumulated deficit, and a statement of cash flows.

Statement of Net Assets / Accumulated Deficit

This Statement of Net Assets / Accumulated Deficit includes all assets and liabilities, both short-term and long-term the accrual basis of accounting and 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.

Table 1 provides a summary of the School's net assets for fiscal period 2006. Since this is the School's first year of existence, comparisons to fiscal year 2005 are not available. In future years, when prior-year information is available, a comparative analysis of School-wide data will be presented.

(Table 1)
Net Assets
June 30, 2006

Assets	
Current Assets:	
Total Current Assets	$18,655
Capital Assets	2,800
Total Assets	21,455
Liabilities	
Current Liabilities	28,819
Long-Term Liabilities	67,123
Total Liabilities	95,942
Net Assets	
Invested in Capital Assets	2,800
Restricted for Other Purposes	14,933
Unrestricted	(92,220)
Total Net Assets / Accumulated Deficit	($74,487)

Table 2 shows the changes in net assets for fiscal period 2006. Since this is the School's first year of existence, comparisons to fiscal year 2005 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

(Table 2)
Change in Net Assets

	2006
Operating Revenues	
State Foundation	$194,959
Poverty Based Assistance	52,400
Total Operating-Revenues	247,359
Non-Operating Revenues	
Federal and State Grants	43,604
Interest and Other	805
Gifts and Donations	16,025
Total Non-Operating Revenue	60,434
Total Revenues	307,793
Operating Expenses	
Salaries	189,770
Fringe Benefits	27,255
Purchased Services	136,021
Rent	20,659
Material & Supplies	8,575
Total Expenses	382,280
Change in Net Assets	(74,487)
Net Assets (deficit) at Beginning of Year	
Net Assets (deficit) at End of Year	($74,487)

During fiscal year 2006 operating revenues were $247,359 based on an average enrollment of 36 students. The School experienced lower than forecasted enrollment due to late startup of operations. The School began operations shortly after notification of sponsorship; however, this was unfortunately well after most Schools had started the academic year. As a result, most students were committed to attending other Schools, and NuBethel's enrollment suffered.

At the end of the fiscal year 2006, the School had $2,800 invested in furniture and equipment.

Table 3 shows fiscal year 2006 balances.

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

	2006
Furniture and Equipment	$2,800
Total Capital Assets	$2,800

For more information on capital assets, refer to Note 6 of the basic financial statements.

Debt Administration

The School had a total of $28,819 in debt outstanding at June 30, 2006. The funds were loaned to the School by the Board President and Director.

Current Financial Issues and Concerns

NuBethel Center of Excellence is in an unsecure financial position at this time. For the year ended June 30, 2006, the School had incurred a working capital deficiency of $48,468 and accumulated deficit net assets of $74,487.

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 Mr. Carl W. Shye Jr, Treasurer at NuBethel Center of Excellence, 3560 West Siebenthaler Avenue, Dayton, OH 45406.

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NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS / ACCUMULATED DEFICIT
AS OF JUNE 30, 2006

Assets	
Current Assets:	
Cash and Cash Equivalents	$4,942
Prepaid Items	13,713
Total Current Assets	18,655
Non-Current Assets	
Capital Assets	
Depreciable Capital Assets, Net	2,800
Total Assets	21,455
Liabilities	
Current liabilities	
Accounts payable	17,275
Accrued Wages and Benefits Payable	13,347
Intergovernmental Payables	36,501
Total Current Liabilities	67,123
Long-Term Liabilities	
Loans from Officers	28,819
Total Liabilities	95,942
Net Assets / Accumulated Deficit	
Invested in Capital Assets	2,800
Resticted for Other Purposes	14,933
Unrestricted	(92,220)
Total Net Assets / Accumulated Deficit	($74,487)

See accompanying notes to the baisc financial statements.

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

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

Operating Revenues:	
State Foundation	$194,959
Poverty Based Assistance	52,400
Total Operating Revenues	247,359
Operating Expenses:	
Salaries	189,770
Fringe Benefits	27,255
Purchased Services	136,021
Rent	20,659
Materials & Supplies	8,575
Total Operating Expenses	382,280
Operating Loss	(134,921)
Non-Operating Revenues:	
Federal and State Grants	43,604
Gifts and Donations	16,025
Other	805
Total Non-Operating Revenues	60,434
Change in Net Assets	(74,487)
Net Assets at Beginning of Year	
Net Assets (Deficit) at End of Year	($74,487)

See accompanying notes to the basic financial statements.

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows Provided by Operating Activities:	
Cash Received from State of Ohio	$252,248
Cash Payments to Employees for Services	(185,779)
Cash Payments to Suppliers for Goods and Services	(147,980)
Net Cash Used by Operating Activities	(81,511)
Cash Flows from Capital Financing Activities:	
Acquistion of Capital Assets	(2,800)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	43,604
Gifts and Donations Received	16,025
Other Non-Operating Income	805
Loan Proceeds	33,477
Loan Payments	(4,658)
Net Cash Provided by Noncapital Financing Activities	89,253
Net Increase in Cash and Cash Equivalents	4,942
Cash and Cash Equivalents at Beginning of Year	
Cash and Cash Equivalents at End of Year	4,942
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss	(134,921)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(13,713)
Increase in Accounts Payable	17,275
Increase in Accrued Wages and Benefits Payable	13,347
Increase in Intergovernmental Payable	36,501
Total Adjustments	53,410
Net Cash Used For Operating Activities	($81,511)

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The NuBethel Center of Excellence (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 K through 6. 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 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. 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 Educational Resource Consultants of Ohio (the Sponsor) commencing April 12, 2005 and ending June 30, 2010. 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 leases its instructional and office space building from Bethesda Temple Apostolic Church.

The School's financial activity began on July 1, 2005, however the School did not receive state foundation or federal monies until September 12, 2005. Prior to this date the School received $792 of Donations, and $1,203 of loan proceeds to cover their expenditures of $137.

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 consists of a statement of net assets / accumulated deficit, a statement of revenues, expenses and changes in accumulated deficit, and a statement of cash flows.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise fund reporting focuses on the determination of the change in net assets, financial positions 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.

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 assets. The statement of cash flows provides information about how the School finances and meets the 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 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

All monies received by the School are maintained in demand deposit accounts. Total cash is presented as "Cash and Cash Equivalents" on the accompanying statement of net assets / accumulated deficit. The School had no investments during fiscal year 2006.

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 five hundred dollars. The School does not possess any infrastructure. Per the policy at the School, no depreciation is taken in the fiscal year of acquisition. 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 capitalized.

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 Lives
Buildings	20-40 years
Furniture	3-5 years
Equipment	3-5 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets, invested in capital assets, consists 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. Restricted net assets include federal and State grants restricted to expenditures for specific purposes. The School applies restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available. For fiscal year 2006, the School had $14,933 in restricted net assets none of which have been restricted by enabling legislation.

I. 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 the necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

J. Intergovernmental Revenues

The School currently participates in the State Foundation Program, 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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.

M. Prepaid Items

The School had prepaid items consisting of overpayments to SERS & STRS.

3. DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the School's bank balance of $23,556 was exposed to custodial credit risk because it was covered by the Federal Deposit Insurance Corporation.

4. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2007, the School has implemented *GASB Statement No. 42*, *"Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling legislation – an amendment to GASB Statement No. 34"* and *GASB Statement No. 47, "Accounting for Termination Benefits."*

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School's financial statements for fiscal year 2007.

GASB Statement No. 46 establishes that limitations on use of net assets imposed by enabling legislation be reported as restricted net assets. The statement clarifies that legally enforceable enabling legislation is one that groups, such as citizens, public interest groups, or fiduciaries can compel a governmental to honor.

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the School's financial statements for fiscal year 2006.

5. RECEIVABLES

There were no outstanding receivables as of June 30, 2006.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006:

	Balance 06/30/2005	Additions	Deletions	Balance 06/30/2006
Capital Assets Being Depreciated:				
Furniture and Equipment	$0	$2,800	$0	$2,800
Less Accumulated Depreciation:				
Furniture and Equipment				
Total Capital Assets Being Depreciated, Net	$0	$2,800	$0	$2,800

7. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Buildings and contents are covered under Mutual Insurance Company. The School carries liability insurance with Mutual Insurance Company of $1,000,000 single occurrence and $2,000,000 aggregate.

There has been no reduction in coverage during the year. There have been no settlements exceeding coverage during the year.

B. Workers' Compensation

The School is required to pay 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.

8. 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, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

8. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and 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, 2006 was $3,619; 100 percent has been contributed for fiscal year 2006.

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 43215-3371, by calling (614) 227-4090, 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 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, 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 2005, 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.

8. DEFINED BENEFIT PENSION PLANS (Continued)

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006 was $20,223; 100 percent has been contributed for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2006 were $3,127 by the School District and $2,978 made by the plan members.

9. POST-EMPLOYMENT 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 partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

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, 2006, 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 $1,556 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS Ohio had 115,395 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. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay 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 healthcare benefits, including the surcharge, during the 2006 fiscal year equaled $1,660.

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 annual healthcare expenses. Expenses for health care for the fiscal year ended June 30, 2005 were $178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

10. LONG-TERM OBLIGATIONS

	Amount Outstanding June 30, 2005	Additions	Deletions	Amount Outstanding June 30, 2006
Personal Loan	$0	$33,477	$4,658	$28,819

See additional information in note 18.

11. OPERATING LEASE

The School subleases an office facility from Bethesda Temple for School space located at 3560 West Siebenthaler Ave, Dayton Ohio. The term of this lease began September 1, 2005 and continues through August 31, 2006. Rent paid for the building for the year ended June 30, 2006 was $20,659.

12. CONTINGENCIES

A. Grants

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

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 adjustment resulted in an overpayment of $4,889 for fiscal year 2006.

13. RELATED PARTY TRANSACTIONS

The School’s Board Chairman, Mr. James Willis and Director, Johnnye Willis made loans to the School to assist it with startup expenses and bolster cash flow. During the fiscal year they loaned the School $33,477, and were repaid $4,658 resulting in an outstanding balance of $28,819 at June 30, 2006.

The School paid a 3% sponsorship fee to Educational Resource Consultant’s of Ohio in the amount of $7,662 for FY2006.

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 $2,451 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. PURCHASED SERVICES

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

Professional and Technical Services	$101,867
Property Services	6,470
Travel	157
Communications	4,780
Other	22,747
Total Expenses	$136,021

16. MANAGEMENT'S PLANS REGARDING CONTINUED EXISTENCE

As shown in the accompanying financial statements, the School had an accumulated deficit of $74,487 as of June 30, 2006, which is primarily due to notes payable of $28,819 and intergovernmental payables of $36,501.

The School's long range plans are to seek increased enrollment.

17. NONCOMPLIANCE

The School did not comply with requirements regarding withholding and remitting U.S., Ohio and other various payroll tax deductions, and bonding the fiscal officer.

18. SUBSEQUENT EVENT

On March 31, 2009 the Board President and his wife, the Director, were owed $21,719 by the School for personal loans made to the School. The Board President and his wife offset, (or netted), this amount due from the School to return monies to the School that were improperly paid to them during the year.

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

NuBethel Center of Excellence
Montgomery County
3560 Siebenthaler Ave
Dayton, Ohio 45406

To the Board of Directors:

We have audited the financial statements of the business-type activities of NuBethel Center of Excellence, Montgomery County, (the School) as of and for the years ended June 30, 2007 and 2006, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 9, 2009, except for information presented in the 2007 note 17 and the 2006 note 18, for which the date is March 31, 2009, wherein we noted the School has incurred a working capital deficiency of $50,131 and $48,468, an operating loss of $52,672 and $134,921, and an accumulated deficit of $70,610 and $74,487 for the years ended June 30, 2007 and 2006 respectively. We were unable to form an opinion regarding the amount of accounts payable in the accompanying statements of net assets / accumulated deficit stated at $26,961 (or 24% of total liabilities) and $17,275 (or 18% of total liabilities) at June 30, 2007 and 2006, respectively. Except as discussed in the preceding sentence, 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.

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.

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Internal Control Over Financial Reporting
(Continued)

We consider findings 2007-001 through 2007-006 and findings 2007-008 through 2007-013 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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 finding numbers 2007-001, 2007-002 and 2007-009 through 2007-013 are also material weaknesses.

We also noted certain matters that we reported to the School's management in a separate letter dated February 9, 2009, except for information presented in the 2007 note 17 and the 2006 note 18, for which the date is March 31, 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-009, 2007-014 and 2007-015.

We also noted certain noncompliance or other matters that we reported to the School's management in a separate letter dated February 9, 2009, except for information presented in the 2007 note 17 and the 2006 note 18, for which the date is March 31, 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 the management, Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 9, 2009, except for information presented in the 2007 note 17 and the 2006 note 18, for which the date is March 31, 2009.

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007 AND 2006

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

FINDING NUMBER 2007-001

NONCOMPLIANCE FINDING AND MATERIAL WEAKNESS

Ohio Rev. Code Section 3314.03 (B)(5) and AOS Bulletin 2000-005 states 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.

The School's Financial Report for 2007 and 2006 contained errors which resulted in numerous reclassifications and adjustments to correctly report the financial activity during and at the end of the period as follows:

FY2006

Statement of Net Assets/Accumulated Deficit:

- Prepaid Items understated $13,713;
- Capital Assets were understated $2,600;
- Accrued Wages were overstated $9,359;
- Intergovernmental Payable was understated $36,501;
- Total Short Term Liabilities were overstated $34,479;
- Invested In Capital Assets, Net of Related Debt was understated $2,600;
- Restricted was understated $14,933 and;
- Unrestricted (Deficit) was understated $4,496.

Statement of Revenues, Expenses and Changes in Accumulated Deficit:

- State Foundation was overstated $42,429;
- Poverty Based Assistance was understated $49,540;
- Salaries were understated $13,347;
- Fringe Benefits were overstated $4,807
- Purchased Services were overstated $4,433;
- Federal and State Grants were understated $3,000.
- Gifts and Donations were understated by $16,025.

Statement of Cash Flows

- Cash Received from other Operating Activities was understated by $14,984;
- Cash Payments for Employees and Fringe Benefits was understated by $170,867;
- Cash Payments for Goods and Services were overstated $110,639;
- Payments for Capital Acquisitions was understated by $2,600;
- Loan Proceeds For $33,477 and Loan Principal Payments $4,658, and Gifts and Donations of $16,025 were added to Noncapital Financing Activities;
- Variances in the amount of $2,195 and $805 were noted for federal and state grants and other non-operating revenues, respectively.

FINDING NUMBER 2007-001
(Continued)

FY2007

Statement of Net Assets/Accumulated Deficit:
- Prepaid Items understated $19,498;
- Capital Assets were understated $2,040;
- Accrued Wages were overstated $38,248;
- Intergovernmental Payable was understated $57,885;
- Total Short Term Liabilities were overstated $34,479;
- Invested In Capital Assets, Net of Related Debt was understated $2;040
- Restricted was understated $4,064 and;
- Unrestricted (Deficit) was understated $28,655.

Statement of Revenues, Expenses and Changes in Accumulated Deficit:
- State Foundation was overstated $57,440
- Poverty Based Assistance was understated $62,329;
- Salaries were overstated $7,180;
- Purchased Services were overstated $1,221
- Depreciation was understated $560;

Statement of Cash Flows
- Cash Received from other Operating Activities was overstated by $681;
- Cash Payments for Employees and Fringe Benefits was understated by $34,899
- Cash Payments for Goods and Services were overstated $35,580
- Loan Proceeds for $3,900 and Loan Principal Payments $10,000 were added to Noncapital Financing Activities
- Variances in the amount of $884 and $216 were noted for federal and state grants and other non-operating revenue, respectively.

The School was unable to provide detail for Accounts Payable for 2006 and 2007, which resulted in a Qualified Opinion. In addition, several errors were noted in the Management Discussion and Analysis (MD&A) and the Notes to the Financial Statements. Adjustments to correct the significant errors above are reflected in the financial statements, MD&A and notes.

Procedures should be developed and implemented to provide for the integrity of the financial records. Additionally, the amounts in the financial statements, notes to the financial statements, and MD&A should be supported by the appropriate documentation.

Officials' Response: *We have implemented procedures to ensure the integrity of the financial statements. These procedures include, but are not limed to monthly presentation and review by the board of directors, training for management staff for reporting information used as the basis for recording transactions, and periodic backup of all critical data files.*

FINDING NUMBER 2007-002

NONCOMPLIANCE FINDING AND MATERIAL WEAKNESS

26 USC 3402(a) states, in part that, in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of Treasury.

During the period tested, the School withheld from employees, but did not remit to the United States Treasury, $18,972 of federal income taxes for fiscal year 2006 and $14,937 for fiscal year 2007. Additionally the School booked all payroll withholdings as accrued wages, rather than as intergovernmental payables.

The School should book all remittances as intergovernmental payables, and additionally remit all federal income taxes withheld in a timely manner to the Internal Revenue Service. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings. This matter has been referred to the Internal Revenue Service for further investigation.

FINDING NUMBER 2007-003

NONCOMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

Title III Chapter 36 Division 7 Section 36.102A of the City of Dayton Charter states subject to § 36.116, an annual tax authorized by this division is to be imposed at the rate specified in § 36.103 on all qualifying wages earned or received by a nonresident for work done or services performed or rendered in the City, subject to the limitations provided in R.C. § 718.011, and on net profits earned or received by a nonresident from the operation or conduct of business in the City.

The School withheld City of Dayton income taxes in the amounts of $2,743 and $3,522 from its employees during 2007 and 2006, respectively. The School, however, lies within the limits of Harrison Township, which did not impose an income tax on earnings within the Township. This resulted in the School withholding money for City of Dayton taxes in which the employees may not be liable. The School should remit taxes to the employee's home City or refund all taxes withheld for the City of Dayton. Additionally, the School booked all withheld taxes paid but not remitted as accrued wages rather than intergovernmental payable, resulting in an audit adjustment.

Officials' Response: *City of Dayton withholdings were made because the school's initial location fell within the City limits. With the school's move to its present location, the withholdings were suspended.*

Auditor of State's Analysis: *The first lease payment on the building in Harrison Township was made on September 29, 2005 and the School's first payroll was on September 14, 2005. The School, however, withheld City of Dayton taxes throughout the entire audit period.*

FINDING NUMBER 2007-004

NONCOMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

Ohio Rev. Code Section 4123.38 requires that every employer mentioned in R.C. 4123.01(B)(1) shall contribute to the public insurance fund the amount of money determined by the administrator of workers' compensation, and the manner of determining contributions and the classifications of employers is as provided in O.R.C. Sections 4123.39 to 4123.41 and 4123.48.

The School failed to remit premiums to the Ohio Bureau of Workers' Compensation (BWC) during fiscal year 2007 and 2006. Additionally the School booked all payroll withholdings as accrued wages. To reduce the possibility of additional expenditures to the School for fines imposed for late premium filings, the School should remit premiums to the Ohio Bureau of Workers' Compensation. This matter has been referred to BWC for further investigation.

FINDING NUMBER 2007-005

NONCOMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

Ohio Rev. Code Section 5747.06 (A) requires that except as provided in division (E)(3) of the same statute, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer, shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in his adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

During the period tested the School withheld Ohio Income Tax from employees but did not remit it to the Ohio Department of Taxation in the amounts of $4,168 and $4,011 for fiscal years 2007 and 2006, respectively. Additionally the School did not withhold Ohio income taxes from one of its employees during fiscal year 2006, and the School booked all payroll withholdings as accrued wages, rather than as intergovernmental payables.

The School should book such remittances as intergovernmental payables, and additionally remit all state income taxes withheld in a timely manner to the Ohio Department of Taxation. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings. This matter has been referred to the Ohio Department of Taxation for further investigation.

Officials' Response: *We have complied with this recommendation.*

FINDING NUMBER 2007-006

NONCOMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

26 USC 3102(a) requires that the tax imposed by section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. **26 USC 3111 (a)** states that in addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment.

The School failed to remit the employee and employer portions of Medicare taxes to the United States Treasury totaling $4,425 and $5,107 for fiscal years 2007 and 2006, respectively. Additionally the School booked all payroll withholdings as accrued wages.

The School should book such remittances as intergovernmental payables, and additionally remit all Medicare taxes withheld in a timely manner to the Internal Revenue Service. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings. This matter has been referred to the Internal Revenue Service for further investigation.

Officials' Response: *We have complied with this recommendation.*

FINDING NUMBER 2007-007

NONCOMPLIANCE FINDING

Ohio Rev. Code Section 3314.011 states that every community school established under this chapter shall have a designated fiscal officer. The Auditor of State may require by rule (see OAC 117-6-07 below) that the fiscal officer of any community school, before entering upon duties as the fiscal officer of the School, execute a bond in an amount and with surety to be approved by the governing authority of the School, payable to the state, conditioned for the faithful performance of all the official duties required of the fiscal officer. Any such bond shall be deposited with the governing authority of the School, and a copy thereof, certified by the governing authority, shall be filed with the county auditor.

Additionally **Ohio Admin. Code Section § 117-6-07 (B)** requires a community school fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in Ohio Rev. Code Section 3314.011. The governing authority prescribes the bond amount and surety by resolution.

The School did not execute a bond for the Treasurer. Additionally the bond amount was not approved by the Board. This could result in the School assuming unnecessary liability. The School should implement procedures to verify that the appointed fiscal officer is bonded, and the amount of the bond is adequate for the cash flows of the School.

Officials' Response: *We have adopted this recommendation.*

FINDING NUMBER 2007-008

NONCOMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

Article II Section Z of the Sponsorship Contract states that the School shall have a designated fiscal officer. On July 30, 2005 the Board approved the hiring of Carl Shye as the treasurer for the School. However the Treasurer did not start his fiscal duties until September 2005. This resulted in several exceptions to the accounting system between July 2005 and September 2005:

FINDING NUMBER 2007-008
(Continued)

- The School failed to retain original documentation for all checks written on the account prior to the creation of the accounting system.

- Twenty-three checks in the amount of $23,714 were posted to the accounting system as "unknown vendor" in the month that they were cashed rather than the date they were written.

- The Treasurer was unaware of the checks written by the Board President for expenditures during this time period.

This resulted in the inaccurate posting of transactions to the accounting system, failure to retain public records, and increase the risk of fraud. The School should implement procedures to verify that all transaction details such as payee, check date, check number, and amount are posted to the accounting system at the time the transaction occurs.

Officials' Response: *We have revised our disbursement procedures to preclude payment of any invoices without submission of acceptable documentation. The School is now required to electronically submit invoices for payment, while maintaining the original in the School for audit purposes. Furthermore, only the Treasurer will write checks. Board members, although signers, will not write checks.*

FINDING NUMBER 2007-009

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Admin. Code Section 117-2-02(D)(4) 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:

- Information, by employee, regarding leave balances and usage

- Fixed 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.

Further, **Ohio Admin. Code Section 117-2-02(E)** states that each local public office should establish a capitalization threshold for any individual item of $5,000 or more, at a minimum, eighty per cent of the local public office's non-infrastructure assets are identified, classified, and recorded on the local public office's financial records.

The School did not track leave balances for the staff of the School. In addition, the capital asset records maintained by the School did not present all of the assets owned by the School, did not provide means of identifying which items were capitalized, and the Board did not approve the School's capital asset policy. The accounting records for capital assets did not comply with the general requirements mentioned above. For example they did not contain: acquisition date, voucher number, asset description, location, or the tag number. These issues could result in an insufficient audit trail, the overpayment or underpayment of leave and untimely recognition of the theft or disposal of assets.

FINDING NUMBER 2007-009
(Continued)

According to the School's policy capital assets are defined as tangible assets with an initial cost of $500, and shall be depreciated using the straight line method. The School failed to properly record the only fixed asset in the amount of $2,800. This amount was material and an audit adjustment was required to the accompanying statements. Additionally the School recorded an asset with the value of $200, which was below the capitalization threshold, and did not properly post the depreciation of $560 associated with these items in fiscal year 2007. The School should maintain a listing of leave balances and an asset list that details the individual assets that are over the Board approved threshold. Additionally, these assets should be identified with tags so they may be verified to the capital asset listing.

Officials' Response: *We have started using the capital asset program imbedded within QuickBooks, to track fixed assets.*

FINDING NUMBER 2007-010

MATERIAL WEAKNESS

The School used Quickbooks to maintain its financial records. The accounting software allowed the user to change the date on the system and post transactions on any selected date. During the course of the audit, the Treasurer provided the Auditor of State with three different versions of the general ledger, bank reconciliations and financial statements. Additionally the School posted revenues of $3,007 and $3,141 during fiscal year 2006 and 2007 respectively in the incorrect fiscal year. This could result in the understatement/overstatement of revenue in the affected years. The Treasurer subsequently fixed these errors on the final version of the statements and bank reconciliations submitted for audit.

This could result in the Board and Sponsor being unaware of the actual financial situation of the School. Policies and procedures should be established and implemented to verify that all transactions are being posted to the correct line item in the right period, and that the bank statements reconcile to the financial statements. The School should also consider switching to accounting software that has more safeguards in place to prevent and detect such misstatements. Failure to do so could result in an increase in risk related to fraud and misstatement.

Officials' Response: *The errors resulted because controls to prevent changes to recorded transactions were not implemented. These controls are now in place. Currently any changes to information are tracked through an audit trail, identifying the individual who made the change, and the date on which the changes occurred. We believe this problem has been addressed.*

FINDING NUMBER 2007-011

MATERIAL WEAKNESS

The School received loans during the course of fiscal years 2006 and 2007 in the amounts of $33,477 and $3,900 respectively. Several exceptions were noted during the testing of the loan agreements, and loan proceeds.

- The School provided loan documentation that documented the signature of the lender and borrower along with the date the school receipted the money in the accounting system; however all of the loan agreements displayed an amount that corresponded to the final loan amount at the end of the audit period, rather than the amount currently being loaned.
- During 2006, the School receipted $12,000 of School foundation money and $3,000 of EMIS Subsidy money as notes payable.

**FINDING NUMBER 2007-011
(Continued)**

- The School booked $1,654 as notes payable for a lease deposit paid in the School's name; however no supporting documentation could be located for this amount.
- The School booked $16,025 as notes payable to the Board President and Executive Director that came from various different sources such as a church and individual people.
- The School booked the payment of check number 2253 in the amount of $1,800 as purchased services rather than as a loan repayment during 2006.
- The School did not record a liability for the accrued interest on the loans that were issued during 2006 and 2007 in the amounts of $2,691 and $2,486 respectively.

This resulted in the incorrect posting of notes and could result in the overpayment to the Board President and Executive Director by the School for liabilities it did not incur. The School should issue notes that at the very least state the date, amount, and lessor of the loan, and are signed by the Lender and the Treasurer of the School. Additionally all loan agreements should be approved by the Board in an open session agreeing to the terms.

Officials' Response: *In the future, we will issue notes for all debt agreements. Additionally, as part of our efforts to correct the misclassified notes issue, this issue will be addressed.*

FINDING NUMBER 2007-012

MATERIAL WEAKNESS

Management should establish a risk assessment process to identify internal and external events and circumstances that may occur and adversely affect an entity's ability to record, process, summarize and report financial data consistent with management's financial statement assertions. Risk assessment differs from monitoring controls. Monitoring controls primarily address the continued effective operation of application controls. Risk assessment includes:

- Identifying unusual events or transactions, or changes in laws or accounting principles or other financial reporting requirements.
- Analyzing how these events or transactions affect financial reporting
- If the event or transaction will be recurring, determining modifications to the accounting systems or control activities to help assure properly including and reporting these matters in the financial statements.

The School did not maintain accurate financial records or prepare accurate monthly reconciliations during fiscal years 2007 and 2006. The School recreated the transactions for the past two years so that its books would reconcile with the bank. During the reconciliation process the Treasurer noted several differences between the books and actual transactions. Additionally, the School originally failed to prepare year end financial statements for fiscal year 2006. The School did not have a risk assessment process working effectively that could have identified the problems in processing and reporting financial information.

The School should establish an effective risk assessment process that is capable of identifying events or transactions that might adversely affect the School's ability to record, process, summarize and report financial data consistent with the management's financial statement assertions. Failure to do so could result in problems associated with management's financial statement assertions going unnoticed.

Officials' Response: *We have established procedures to identify risks and minimize their potential for financial statement misstatement.*

FINDING NUMBER 2007-013

MATERIAL WEAKNESS

There were several discrepancies noted between the actual activity reported on the bank statements and what was recorded in the check register. A few examples of these discrepancies were:

- In FY06 check 2137 in the amount of $425.06 was not posted to the books, but cleared the bank
- In FY07 checks 2725, 2726, and 2727 in the amount of $2,801 were not posted to the books, but cleared the bank.
- In FY06 and FY07 the School posted several checks to unknown payee, rather than the actual person the check was paid to.
- In FY06 and FY07 the School posted debit card transactions on the day they cleared the bank rather than the day the purchases were made.
- The School maintained checks on the outstanding check listing for a long period of time.

In addition the School generated a manual list of all checks that had been voided. However several errors were noted during the test of the list:

- Five checks in the amount of $3,754 cleared the bank, and additionally three of these checks in the amount of $2,576 did not appear on the outstanding check listing.
- Two checks in the custody of the School were completely blank with no signs of the check being voided.
- Several checks were made out to the vendor but we noted no signs of the check being voided.

Although the School's books were reconciled with the bank, due care should be taken when posting activity to the check register and voiding checks. All financial data presented to the Board should accurately reflect the activity of the School.

Officials' Response: *We will adopt the recommendation of exercising due care during the preparation of the bank reconciliations and the related bank statements.*

FINDING NUMBER 2007-014

FINDING FOR RECOVERY REPAID UNDER AUDIT/ FEDERAL QUESTIONED COST

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 of the Ohio Rev. Code.

Ohio Rev. Code 149.351 (A) states, in pertinent part, 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 commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

Testing resulted in numerous unexplained expenditures with lack of supporting documentation. As a result, our office cannot determine if these expenditures were for a proper public purpose.

Auditor of State Bulletin 2003-005 states that government entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin addresses the requirements necessary to ensure that an entity's expenditure of public funds is for a proper public purpose.

FINDING NUMBER 2007-014
(Continued)

Ohio Attorney General Opinion 82-006 addressed the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case *State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951),* states that expenditures made by a governmental unit should serve a public purpose.

The School's failure to require and maintain adequate support for expenditures could result in a loss of accountability over the School's finances, make it difficult to identify errors which could go undetected and possibly result in expenditures that are not for a proper public purpose.

The following list includes various expenditures the school made without proper supporting documentation including payments made to James Willis for reimbursement:

Date	Check Number	Vendor		Amt	Reason for finding
9/22/2005	2013	James Willis	*	$1,972.48	Lack of Supporting Documentation
9/23/2005	2015	James Willis	*	$3,500.00	Lack of Supporting Documentation
6/29/2006	2302	James Willis		$2,781.02	Lack of Supporting Documentation
9/4/2006	2368	James Willis		$591.84	Lack of Supporting Documentation
		Total		$8,845.34	

Payments booked as "Unknown Payees" and no supporting documentation was obtained:

Date	Check Number	Signatory		Payee	Amt
9/23/2005	2014	Unknown	\	Unknown	$539.48
6/29/2006	2300	Unknown	\	Unknown	$100.80
4/5/2007	2633	Unknown	\	Unknown	$349.99
		Total			$990.27

Payment to Margo Willis:

Date	Check Number	Vendor		Amt	Reason for finding
9/16/2005	2451	Margo Willis	*	$286.40	Lack of Supporting Documentation

Payments to Brenda Smith:

Date	Check Number	Vendor		Amt	Reason for finding
10/13/2005	2021	Brenda Smith	~	$1,000.00	Contract is for $2,000 a month
10/31/2005	2047	Brenda Smith	~	$1,500.00	Total finding amount is $500
		Total		$2,500.00	
		Less: Contract		$2,000.00	
		Total Contract Over Payment		$500.00	
11/1/2005	1025	Brenda Smith	~	$447.48	Lack of Supporting Documentation
		Total Finding		$947.48	

FINDING NUMBER 2007-014
(Continued)

Payments made on behalf of King Academy:

Date	Check Number	Vendor		Amt	Reason for finding
2/24/2007	2590	USPS	^	$14.40	Did not Benefit School
4/2/2007	2646	USPS	^	$14.40	Did not Benefit School
6/11/2007	2751	USPS	^	$16.25	Did not Benefit School
6/12/2007	2757	USPS	^	$16.25	Did not Benefit School
		Total		$61.30	

Payment made on behalf of Greater Heights Academy:

Date	Check Number	Vendor		Amt	Reason for finding
6/12/2007	2757	USPS	^	$16.25	Did not Benefit School

Payments made on behalf of Legacy Academy for Leaders and the Arts:

Date	Check Number	Vendor		Amt	Reason for finding
11/13/2006	2451	USPS	^	$14.40	Did not benefit School
6/11/2007	2590	USPS	^	$14.40	Did not benefit School
		Total		$28.80	

Payments made on behalf of Arise Academy:

Date	Check Number	Vendor		Amt	Reason for finding
11/13/2006	2451	USPS	^	$28.80	Did not benefit School
6/11/2007	2751	USPS	^	$16.25	Did not benefit School
		Total		$45.05	

Payment made on behalf of CASTLE Academy:

Date	Check Number	Vendor		Amt	Reason for finding
11/13/2006	2451	USPS	^	$14.40	Did not benefit School

Payments made on behalf of NIA University:

Date	Check Number	Vendor		Amt	Reason for finding
3/16/2007	2626	USPS	^	$14.40	Did not benefit School
4/2/2007	2646	USPS	^	$14.40	Did not benefit School
		Total		$28.80	

FINDING NUMBER 2007-014
(Continued)

Payments made to USPS on behalf of various individuals or lacking supporting documentation:

Date	Check Number	Vendor		Amt	Reason for finding
6/2/2006	2261	USPS	^	$43.20	Lack of supporting documentation
7/1/2006	2304	USPS	\	$28.80	Lack of supporting documentation
9/22/2006	2386	USPS	\	$14.40	Lack of supporting documentation
9/29/2006	2398	USPS	^	$43.20	Did not benefit School
1/31/2007	2562	USPS	\	$28.80	Lack of supporting documentation
4/2/2007	2646	USPS	^	$14.40	Did not benefit School
6/11/2007	2751	USPS	^	$32.50	Did not benefit School
		Total		$205.30	

Payments made to Johnnye Willis / unsupported check signed by Johnnye Willis:

Date	Check Number	Vendor		Total Check Amt	Reason for Finding
5/14/2007	2699	Johnnye Willis	/	$3,141.14	Lack of Supporting Documentation
6/12/2007	2745	Johnnye Willis	/	$9,141.14	Lack of Supporting Documentation
10/27/2005	2033	Johnnye Willis		$649.67	Lack of Supporting Documentation
		Total		$12,931.95	
7/11/2005	1015	MCI	~	$117.37	Lack of Supporting Documentation
		Total Finding		$13,049.32	

/ = Questioned Cost
* = Check signed by James Willis.
~ = Check signed by Johnnye Willis.
^ = Carl Shye primarily liable as he wrote the check or sent the package.
\ = No supporting documentation could be obtained, and as Treasurer, Carl Shye will be held primarily liable.

Note: As Treasurer, Carl Shye will also be held liable for all amounts he is not already primarily liable for.

Payments made with debit card in Johnnye Willis' custody:

FINDING NUMBER 2007-014
(Continued)

Date	Check Number	Vendor	Amt	Reason for finding
10/31/2005	Debit	Office Depot	$118.30	Lack of Supporting Documentation
12/9/2005	Debit	Telephone Systems	$117.48	Lack of Supporting Documentation
12/16/2005	Debit	Office Depot	$120.82	Lack of Supporting Documentation
1/17/2006	Debit	Office Depot	$105.46	Lack of Supporting Documentation
2/3/2008	Debit	Office Depot	$57.76	Lack of Supporting Documentation
2/9/2006	Debit	Office Depot	$71.32	Lack of Supporting Documentation
2/9/2006	Debit	Kroger	$15.58	Lack of Supporting Documentation
3/10/2006	Debit	Postal Service	$10.41	Lack of Supporting Documentation
3/13/2006	Debit	Office Depot	$126.89	Lack of Supporting Documentation
4/13/2006	Debit	Office Depot	$159.52	Lack of Supporting Documentation
5/10/2006	Debit	Office Depot	$229.42	Lack of Supporting Documentation
5/12/2006	Debit	Postal Service	$39.00	Lack of Supporting Documentation
5/31/2006	Debit	Rent-A-Center	$83.42	Lack of Supporting Documentation
6/12/2006	Debit	Office Depot	$97.97	Lack of Supporting Documentation
7/13/2006	Debit	S&V Office Furniture	$24.70	Lack of Supporting Documentation
7/24/2006	Debit	Withdrawal	$100.00	Lack of Supporting Documentation
7/28/2006	Debit	Home Depot	$60.87	Lack of Supporting Documentation
7/28/2006	Debit	Home Depot	$52.37	Lack of Supporting Documentation
8/3/2006	Debit	Asset Intelligence	$62.00	Lack of Supporting Documentation
8/7/2006	Debit	Kroger	$86.58	Lack of Supporting Documentation
8/10/2006	Debit	Kroger	$41.93	Lack of Supporting Documentation
8/11/2006	Debit	Kroger	$29.98	Lack of Supporting Documentation
8/12/2006	Debit	Kroger	$50.99	Lack of Supporting Documentation
9/18/2006	Debit	Intuit Software	$111.54	Lack of Supporting Documentation
10/23/2006	Debit	Office Depot	$281.01	Lack of Supporting Documentation
11/14/2006	Debit	Kroger	$53.06	Lack of Supporting Documentation
11/15/2006	Debit	Office Depot	$196.76	Lack of Supporting Documentation
11/17/2006	Debit	Rite Aid	$33.46	Lack of Supporting Documentation
11/17/2006	Debit	Rite Aid	$6.76	Lack of Supporting Documentation
11/20/2006	Debit	Postal Service	$41.25	Lack of Supporting Documentation
11/21/2006	Debit	Kroger	$12.49	Lack of Supporting Documentation
11/24/2006	Debit	Office Depot	$142.87	Lack of Supporting Documentation
11/30/2006	Debit	Rite Aid	$12.00	Lack of Supporting Documentation
12/4/2006	Debit	Office Depot	$62.04	Lack of Supporting Documentation
12/11/2006	Debit	Rite Aid	$4.00	Lack of Supporting Documentation
12/12/2006	Debit	Rite Aid	$20.00	Lack of Supporting Documentation
1/10/2007	Debit	Wal-Mart	$2.92	Lack of Supporting Documentation
1/16/2007	Debit	Fussnecker	$10.68	Lack of Supporting Documentation
1/17/2007	Debit	Walgreens	$11.11	Lack of Supporting Documentation
1/29/2007	Debit	Rite Aid	$15.13	Lack of Supporting Documentation
2/1/2007	Debit	GFS Marketplace	$106.00	Lack of Supporting Documentation
2/1/2007	Debit	GFS Marketplace	$25.97	Lack of Supporting Documentation
2/26/2007	Debit	UPS Store	$60.24	Lack of Supporting Documentation
4/4/2007	Debit	Consigning and Design	$20.33	Lack of Supporting Documentation
4/5/2007	Debit	S&V Office Furniture	$26.70	Lack of Supporting Documentation
4/10/2007	Debit	Wal-Mart	$20.55	Lack of Supporting Documentation
6/7/2007	Debit	Papa John's	$25.00	Lack of Supporting Documentation
6/11/2007	Debit	Rite Aid	$24.83	Lack of Supporting Documentation
Total			**$3,189.47**	

FINDING NUMBER 2007-014
(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 Johnnye Willis, Director, in the amount of $16,238.79; James Willis, Board President, in the amount of $8,845.34; Brenda Smith, owner of Lady B's, in the amount of $947.48; Margo Willis in the amount of $286.40; King Academy in the amount of $61.30; Greater Heights Academy in the amount of $16.25; Legacy Academy for Leaders and the Arts in the amount of $28.80; Arise Academy in the amount of $45.05; CASTLE Academy in the amount of $14.40; NIA University, in the amount of $28.80; Carl Shye, Treasurer, in the amount of $1,195.57 in favor of the Nu Bethel Center of Excellence.

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 is 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 9.39: State ex. rel. Village of Linndale v. Masten, 18 OhioSt. 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 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 for public monies illegally expended are hereby issued against Johnnye Willis, Director, jointly and severally, in the amount of $947.48; James Willis, Board President, jointly and severally, in the amount of $286.40; and Carl Shye, Treasurer, jointly and severally, in the amount of $26,512.61. Johnnye Willis shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Brenda Smith; James Willis shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Margo Willis and Carl Shye, jointly and severally, shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from James Willis, Margo Willis, Brenda Smith, King Academy, Greater Heights Academy, Legacy Academy for Leaders and the Arts, Arise Academy, CASTLE Academy, NIA University, and Johnnye Willis in the total amount of $26,512.61.

2 CFR part 230 (formerly known as OMB Circular A-122, *Cost Principles for Non-Profit Organizations)* prescribes the cost accounting policies associated with the administration of federal awards and applies to all federal awards received by an entity, regardless of whether the awards are received directly from the Federal Government or indirectly through a pass-through entity. The general criteria affecting allowabillity of cost under Federal awards are: reasonable and necessary; allocable; consistency; conformity to laws, regulations, and sponsored agreement; transactions that reduce or offset direct or indirect costs; and costs documentation. In addition, **Appendix A to Part 230** requires, in part, that costs be adequately documented to be allowable under Federal Awards. Check numbers 2699 and 2745 in the total amount of $12,282.28 were undocumented and charged to the Title I Grant (see tickmark "/" in tables above). In accordance with the above facts, a total federal questioned cost for unallowable expenditures is $12,282.28.

On March 16, 2009 Mr. Carl Shye, Jr. repaid $1,390.17 by cashiers' check. On March 23, 2009 Mr. James Willis repaid $4,599.02 on check number 2752. On March 31, 2009, James and Johnnye Willis were owed $21,719 by the School for personal loans made to the School. They offset, (or netted), this amount due from the School to return part of the monies due by them as noted above. This finding for recovery has therefore been repaid in full.

Officials' Response: *Expenditures lacking documentation-Procedures will be implemented to ensure documentation of all expenditures. Historically, the school requested disbursements of the Treasurer, and was required to follow up with the necessary documentation. This was not always done on a timely basis. In the future, acceptable documentation must precede the disbursement of funds. The Treasurer will see that the total amount is remitted to the school to recover the funds. The remittance will be evidenced by documentation acceptable to the Auditor of State.*

FINDING NUMBER 2007-015

FINDING FOR RECOVERY REPAID UNDER AUDIT

Ohio Rev. Code Section 3314.03(C) states that a contract entered under section 3314.02 of the Revised Code between a sponsor and the governing authority of a community school may provide for the community school governing authority to make payments to the sponsor, which is hereby authorized to receive such payments as set forth in the contract between the governing authority and the sponsor. The total amount of such payments for oversight and monitoring of the school shall not exceed three per cent of the total amount of payments for operating expenses that the school receives from the state.

The School paid $9,469.88 to the sponsor and was only required to pay $9,314.94 which resulted in an overpayment of $154.94.

Total State Receipts	$310,498
Sponsorship Fee	3%
Total Sponsorship Fees	9,314.94
Total Payments	$9,469.88
Total Overpayment to Sponsor	($ 154.94)

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Educational Resource Consultants of Ohio in the amount of $154.94 and in favor of NuBethel Center of Excellence.

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 is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. AttyGen. No. 80-074: Ohio Rev. Code 9.39: State ex. rel. Village of Linndale v. Masten, 18 OhioSt. 3d 228 (1985). Public officials controlling public funds or property are also 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 issued against Education Resource Consultants of Ohio and Carl Shye, Treasurer, jointly and severally in the amount of $154.94 and in favor of NuBethel Center of Excellence.

On March 31, 2009 Mr. Carl Shye, Jr. repaid $154.94 by cashiers' check.

Officials' Response: *Procedures have been adopted to ensure that the school pays the current amount of sponsorship fees in the future. The Treasurer will reimburse the school for the recovery. Documentation of the payment will be made to the Auditor of State.*

Mary Taylor, CPA
Auditor of State

NUBETHEL CENTER OF EXCELLENCE

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
MAY 7, 2009

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