



Mary Taylor, CPA
Auditor of State

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis..... For the Fiscal Year Ended June 30, 2008	3
Statement of Net Assets/Accumulated Deficit – As of June 30, 2008	7
Statement of Revenues, Expenses, and Changes in Accumulated Deficit For the Fiscal Year Ended June 30, 2008	8
Statement of Cash Flows For the Fiscal Year Ended June 30, 2008	9
Notes to the Basic Financial Statements	11
For the Fiscal Year Ended June 30, 2008	
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings.....	37

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of NuBethel Center of Excellence, Montgomery County (the School) as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 statement of net assets/ accumulated deficit stated at \$15,759 (or 12% of total liabilities) at June 30, 2008.

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 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, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 8 to the financial statements, the School has suffered recurring losses from operations and has a working capital deficiency of \$131,330, an operating loss of \$132,898, and an accumulated deficit of \$126,341 for the fiscal year ended June 30, 2008. Note 8 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2009, except for information presented in note 14C, for which the date is September 16, 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.

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



Mary Taylor, CPA
Auditor of State

August 12, 2009, except for information presented in note 14C, for which the date is September 16, 2009.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Presented below is a discussion and analysis of the NuBethel Center of Excellence financial performance for the fiscal year ended June 30, 2008. The purpose 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 (\$126,341).
- Total assets at fiscal year-end were \$8,402 and total liabilities were \$134,743.
- The School had operating revenues for the fiscal year 2008 of \$251,952 and operating expenses of \$384,850.

Using this Financial Report

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

Statement of Net Assets/Accumulated Deficit

This statement was prepared 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 2008.

(Table 1)
Net Assets

	2007	2008	Change
Assets:			
Current Assets	\$41,632	\$ 3,413	(\$38,219)
Capital Assets, Net	2,240	4,989	2,749
Total Assets	43,872	8,402	(35,470)
Liabilities:			
Current liabilities	94,668	134,743	40,075
Non-Current Liabilities	27,896		(27,896)
Total Liabilities	122,564	134,743	12,179
Net Assets			
Invested in Capital Assets	2,240	4,989	2,749
Restricted	4,064	75,273	71,209
Unrestricted	(84,996)	(206,603)	(121,607)
Total Net Assets/Accumulated Deficit	(\$78,692)	(\$126,341)	(\$47,649)

Current Assets decreased \$35,470 due to the decrease in cash balances and prepaid items between the years. Current Liabilities increased \$40,075 because of larger intergovernmental liabilities. The Accumulated Deficit increased \$47,649 due to expenditures exceeding revenues in fiscal year 2008, and a prior year restatement (note 13).

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Table 2 shows the changes in net assets for fiscal years 2007 and 2008.

Table 2			
Change in Net Assets			
	2007	2008	Change
Operating Revenues:			
State Foundation	\$260,320	\$246,407	(\$13,913)
Poverty Based Assistance	62,329	5,545	(56,784)
Total Operating Revenues	322,649	251,952	(70,697)
Non-Operating Revenues:			
Federal and State Grants	56,333	75,821	19,488
Other	216	9,428	9,212
Total Non-Operating Revenues	56,549	85,249	28,700
Total Revenues	379,198	337,201	(41,977)
Operating Expenses:			
Salaries	150,633	185,982	35,349
Fringe Benefits	34,134	46,328	12,194
Purchased Services	141,429	110,879	(30,550)
Rent	25,122	25,000	(122)
Materials & Supplies	23,443	16,101	(7,342)
Depreciation	560	560	
Total Expenses	375,321	384,850	\$ 9,529
Change in Net Assets	3,877	(47,649)	
Net Assets (Deficit) at Beginning of Year	(74,487)	(78,692)	
Net Assets (Deficit) at End of Year	(\$ 70,610)	(\$126,341)	

Total Foundation revenue was down 22% due to decreased enrollment at the School. Federal and State grants increased \$19,488 for the year, helping to offset the State Foundation income loss. Overall expenses increased 2.5% with the largest increase in salaries. The School experienced an increase in the accumulated deficit of (\$55,731) for fiscal year 2008.

Capital Assets

At the end of the fiscal year 2008, the School had \$4,989 invested in furniture and equipment. Table 3 shows the fiscal year detail.

Table 3	
Capital Assets (Net of Depreciation) at June 30	
	2008
Furniture & Equipment	\$6,109
Less: Accumulated Depreciation	(1,120)
Net Capital Assets	\$4,989

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

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Debt Administration

The School had a total of \$27,719 in debt outstanding at June 30, 2008. The funds were loaned to the School by 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.

This page intentionally left blank.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS / ACCUMULATED DEFICIT
AS OF JUNE 30, 2008**

Assets

Current Assets:

Cash and Cash Equivalents	\$530
Prepaid Items	2,883
Total Current Assets	<u>3,413</u>

Non-Current Assets

Capital Assets

Depreciable Capital Assets, Net	4,989
---------------------------------	-------

Total Assets	<u>8,402</u>
--------------	--------------

Liabilities

Current liabilities

Accounts payable	15,759
Accrued Wages and Benefits Payable	12,235
Intergovernmental Payables	73,853
Accrued Interest	5,177
Loans from Officers	27,719

Total Liabilities	<u>134,743</u>
-------------------	----------------

Net Assets / Accumulated Deficit

Invested in Capital Assets	4,989
Restricted for Payroll Taxes	73,853
Restricted for Other Purposes	1,420
Unrestricted	<u>(206,603)</u>
Total Net Assets / Accumulated Deficit	<u><u>(\$126,341)</u></u>

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, 2008**

Operating Revenues:	
State Foundation	\$246,407
Poverty Based Assistance	5,545
Total Operating Revenues	<u>251,952</u>
Operating Expenses:	
Salaries	185,982
Fringe Benefits	46,328
Purchased Services	110,879
Rent	25,000
Materials & Supplies	16,101
Depreciation	560
Total Operating Expenses	<u>384,850</u>
Operating Loss	<u>(132,898)</u>
Non-Operating Revenues:	
Federal and State Grants	75,821
Other	9,428
Total Non-Operating Revenues	<u>85,249</u>
Change in Net Assets	(47,649)
Net Assets (Deficit) at Beginning of Year (Restated - See Note 13)	<u>(78,692)</u>
Net Assets (Deficit) at End of Year	<u><u>(\$126,341)</u></u>

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, 2008**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows Provided by / Used For Operating Activities:

Cash Received from State of Ohio	\$250,514
Cash Payments to Employees for Services	(195,126)
Cash Payments to Suppliers for Goods and Services	<u>(163,182)</u>
Net Cash Used by Operating Activities	(107,794)

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	75,821
Other Non-operating Revenues	9,428
Loan Proceeds	<u>5,000</u>
Net Cash Provided by Noncapital Financing Activities	90,249

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Capital Acquisitions	<u>(3,309)</u>
--	----------------

Net Cash Used for Capital and Related Financial Activities:	(3,309)
---	---------

Net Increase (Decrease) in Cash and Cash Equivalents	(20,854)
--	----------

Cash and Cash Equivalents at Beginning of Year	<u>21,384</u>
--	---------------

Cash and Cash Equivalents at End of Year	<u><u>530</u></u>
--	-------------------

Reconciliation of Operating Loss to Net

Cash Used For Operating Activities:

Operating Loss	<u>(132,898)</u>
----------------	------------------

Adjustments to Reconcile Operating

Loss to Net Cash Used For Operating Activities:

Depreciation	560
--------------	-----

Changes in Assets and Liabilities:

Decrease in Prepaid Items	17,365
Decrease in Accounts Payable	(11,202)
Increase in Intergovernmental Payable	13,063
Increase in Accrued Wages	<u>5,318</u>

Total Adjustments	<u>24,544</u>
-------------------	---------------

Net Cash Used For Operating Activities	<u><u>(\$107,794)</u></u>
--	---------------------------

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008**

1. DESCRIPTION OF THE REPORTING ENTITY

The NuBethel Center of Excellence, Inc., (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School operates on a foundation, which fosters character building for all students, parents and staff members. 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 acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Educational Resource Consultants of Ohio, (the Sponsor) for a period of five years commencing April 20, 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 Bethesda Temple Apostolic Church.

The School operates under the direction of a five member Governing Board. The Governing 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 Governing Board controls the School's instructional and administrative staff.

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 9)

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 a governmental nonprofit organization. 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 August 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a statement of net assets/accumulated deficit, a statement of revenues, expenses, and changes in accumulated deficit, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and 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.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. 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 accumulated deficit presents increases (i.e. revenues), and decreases (i.e. expenses) in net total net assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

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

Revenues 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.

Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are 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 School on reimbursement basis.

E. Expenses

Expenses are recognized at the time they are incurred.

F. 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 between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

G. 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 the fiscal year 2008.

For the purposes of the statement of cash flows and for presentation on the statement of net assets/accumulated deficit, investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$5,800 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.

H. Intergovernmental Revenues

The School currently participates in the State Foundation Basic Aid Program and the Poverty Based Assistance Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are 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 expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

There were no outstanding receivables as of June 30, 2008.

I. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for addition and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$500. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend and asset's life are not.

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

Equipment	3-5 years
Furniture	3-5 years

J. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Net assets are reported as restricted when there are limitations imposed on their used either through the enabling legislation adopted by the School or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. For fiscal year 2008, the School had \$75,273 in restricted net assets, none of which have been restricted by enabling legislation.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Operating Revenues and Expenses

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

L. Estimates

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

M. Prepaid Items

The School had prepaid items consisting of overpayments to SERS & STRS, in addition to an employee advance from a prior fiscal year.

N. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>6/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2008</u>
Capital Assets:				
Equipment	\$2,800	\$3,309		\$6,109
Less: Accumulated Depreciation	(560)	(560)		(1,120)
	<u>\$2,240</u>	<u>\$2,749</u>	<u>\$0</u>	<u>\$4,989</u>

N. Operating Leases

The School has an operating lease for the period of July 1, 2007 through June 30, 2008 with Bethesda Temple to lease a School facility. Payments totaling \$32,400 were made during the year.

3. RISK MANAGEMENT

A. Insurance Coverage

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year ending June 30, 2008 the School contracted for the following insurance coverage:

Coverage Provided by Mutual Insurance Company:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate	\$2,000,000

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008
(Continued)**

3. RISK MANAGEMENT

During the fiscal year the School's liability insurance lapsed between December 2007 and April 2008.

There has been no reduction in coverage from previous years. Settled claims have not exceeded insurance coverage for the past three 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 the annual gross payroll by a factor that is calculated by the State.

4. 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$8,504, \$5,242 and \$3,619 respectively; 99.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 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.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008
(Continued)**

4. DEFINED BENEFIT PENSION PLANS (Continued)

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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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, 2008, 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 2007, 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, 2008, 2007 and June 30, 2006 were \$12,365, \$16,547 and \$20,223 respectively. 89% percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,446 by the School District and \$4,668 made by the plan members.

5. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

The School participates in two coast-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as prescription drug programs. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Board St., Suite 100, Columbus, Ohio 43215-3746.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008
(Continued)**

5. POSTEMPLOYMENT BENEFITS (Continued)

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008 this amount was \$0.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,881, 1,273, and 1,660 respectively. 100% has been contributed for fiscal years 2008, 2007, and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008 was \$630. 100 percent has been contributed for fiscal year 2008.

B. State Teachers Retirement System

The School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008 STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$951, \$1,223, and \$1,556 respectively; 89 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

6. CONTINGENCIES

A. Grants

The School receives significant financial assistance from numerous 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 agreement and are subject to an audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School at June 30, 2008.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008
(Continued)**

6. CONTINGENCIES (Continued)

B. School Funding

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 School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. This adjustment resulted in an overpayment of \$2,347 for fiscal year 2008.

7. NONCOMPLIANCE

The School did not comply with requirements regarding withholding and remitting U.S. and other various payroll tax deductions, maintaining accounting records and insurance, approval/signing of contracts, and bonding the fiscal officer.

8. MANAGEMENT'S PLANS REGARDING CONTINUED EXISTENCE

As shown in the accompanying financial statements, the School had an accumulated deficit of \$126,341 as of June 30, 2008, which is primarily due to notes payable of \$27,719 and intergovernmental payable of \$73,853.

The objective to address the financial crisis of the School is to take measures to:

- Ensure that the School ends the year with positive net income (on the accrual basis)
- Establish policies and procedures to address the negative equity
- Payoff outstanding vendor and note liabilities

NuBethel's problems stem from depressed foundation revenue resulting from low enrollment. The School's current enrollment stands at 56 students (CSADM enrollment is 48 students). Currently, the School has 15 commitments for new students, most of which are kindergarten. At the current pace our expectation is that the total enrollment for the forthcoming School year will rise to 100 students. The long term prognosis is encouraging.

For the short term, we plan to implement vendor contract reductions for EMIS and Treasurer services which will result in a monthly savings of approximately \$2,000. This coupled with our ability to supplement a portion of our salary expense with the available federal funds, will provide a positive cash flow of about \$8,000 per month. This equates to an approximate 27% increase in monthly cash inflow.

Given this revenue increase, we must institute several measures to ensure the bottom line is influenced positively:

- Freeze all new spending until year end
- No increases in existing commitments without some recognized costs savings in other areas and all increases must have prior Board approval before obligating the School
- Make sure we are procedurally compliant with EMIS and CSADM to ensure the flow of state funding
- Negotiate suitable repayment terms with delinquent vendors and tax authorities
- Stay current with tax and withholding obligations

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008
(Continued)**

8. MANAGEMENT'S PLANS REGARDING CONTINUED EXISTENCE (Continued)

These measures should enable us to end the next year in the black. During July and August of 2008 our salary obligations will drop considerably since we will not have to pay teachers. We plan to use these unencumbered foundation funds to liquidate our outstanding debt and taxes. If funds remain, they should be applied to the note liability to the Board Chair. This will enable us to enter the 2009/2010 School year debt free.

The long term financial outlook for NuBethel Center of Excellence should be framed by a concise budget that is adhered to. We must provide suitable resources to properly educate the expected 100 students, but make sure that we do not over obligate the School as we have done in the past. For example, presently we have six teachers for approximately 50 students. This equates to student/teacher ratio of 8.3 to one. This is considered tutoring rather than teaching. We should budget for a ratio of no less than 18 to 1, which is closer to that expressed in our approved charter application to the State of Ohio. At that rate, we presently have enough teachers to handle the expected enrollment. Since salaries and benefits are typically the largest expenses, the increase in revenue should flow to the bottom line, providing positive net income for the year. Following this practice will enable us to eliminate the negative equity in no more than two years.

Finally, the School should have a second checking account, specifically to handle payroll and related liabilities. This will ensure that adequate funding for these liabilities are separated from the general fund.

9. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Organization - the School is a participant in the Metropolitan Dayton Educational Cooperative Association (MEDCA) 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 \$2,143 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.

10. PURCHASED SERVICES

For the period ended June 30, 2008, purchased service expense for services rendered by various vendors were as follows:

Professional and Technical Services	\$101,537
Transportation	1,600
Communications	3,463
Other	<u>4,279</u>
Total Expenses	<u>\$110,879</u>

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2008
(Continued)**

11. RELATED PARTY TRANSACTIONS

The School paid a 3% sponsorship fee to the Educational Resource Consultant's of Ohio in the amount of \$7,833 for fiscal year 2008.

12. SHORT TERM NOTES

Short-Term Obligation	Amount Outstanding 6/30/07	Additions	Deletions	Amount Outstanding 6/30/08
Personal Loan	\$22,719	\$5,000	\$0	\$27,719

**13. CHANGE IN ACCOUNTING PRINCIPLES, RESTATEMENT OF PRIOR YEAR NET ASSETS,
AND CHANGES IN ACCOUNTING ESTIMATES**

	Business –Type Activities
Net Assets June 30, 2007	(\$70,610)
Accrued Interest	(5,177)
Intergovernmental Payable	(2,905)
Restated Net Assets June 30, 2007	(\$78,692)

14. SUBSEQUENT EVENTS

- A.** 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 fiscal years 2006 and 2007.
- B.** On July 22, 2009, the Board approved the Executive Director loaning the School approximately \$3,000 for the purpose of paying the June 30th, 2009 payroll.
- C.** On September 16, 2009 the Director, Johnnye Willis, was owed an amount for accrued interest on prior loans to the School. Mrs. Willis offset (or netted) \$2,650.01 of the accrued interest due from the School to return monies owed to the School that were improperly paid to her during fiscal year 2008.



Mary Taylor, CPA

Auditor of State

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

NuBethel Center of Excellence
Montgomery County
3560 Siebenthaler Avenue
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 year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 12, 2009, except for information presented in note 14C, for which the date is September 16, 2009, wherein we noted the accompanying financial statements have been prepared assuming that the School will continue as a going concern, for the year ended June 30, 2008. The School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. We were unable to form an opinion regarding the amount of accounts payable in the accompanying statement of net assets/accumulated deficit stated at \$15,759 (or 12% of total liabilities). 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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in the internal control over financial reporting: 2008-001 through 2008-005, and 2008-010.

**Internal Control Over Financial Reporting
(Continued)**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001 through 2008-005, and 2008-010 are also material weaknesses.

We also noted certain matters that we reported to the School's management in a separate letter dated August 12, 2009, except for information presented in note 14C, for which the date is September 16, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2008-002 through 2008-009, and 2008-011 through 2008-016.

We also noted certain noncompliance or other matters that we reported to the School's management in a separate letter dated August 12, 2009, except for information presented in note 14C, for which the date is September 16, 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 audit committee, management, Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 12, 2009, except for information presented in note 14C, for which the date is September 16, 2009.

**NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

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

FINDING NUMBER 2008-001

MATERIAL WEAKNESS

The School's annual financial report for 2008 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.

Statement of Net Assets/Accumulated Deficit:

- Prepaid Items were overstated \$17,365;
- Capital Assets were understated \$3,309;
- Accrued Wages were understated \$11,988;
- Intergovernmental Payable were overstated \$15,707;
- Accrued Interest were understated \$5,177;
- Restricted for Capital Assets were understated \$3,309
- Restricted for Other Purposes were understated \$1,420
- Restricted for Payroll Taxes were understated \$73,853

Statement of Revenues, Expenses and Changes in Accumulated Deficit:

- Salaries Expense were understated by \$11,988;
- Fringe Benefits were understated by \$5,316;
- Purchased Services was overstated \$8,433;
- Net Assets at Beginning of Year were understated by \$8,082;

Statement of Cash Flows:

- Cash Received from Food Service overstated \$6,573;
- Cash Received from other Operating Sources overstated \$9,428;
- Cash Payments to Suppliers for Goods/Services understated \$19,881;
- Cash Payments to Employees for Services/Benefits overstated \$9,999;
- Cash Payments for Capital Acquisitions understated \$3,309;
- Cash Received from Other Non-Operating Revenues understated \$9,428

The School was unable to provide detail for Accounts Payable for 2008 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: *The school has implemented procedures which require a monthly review of critical financial records of the school. The reviewer(s) are appointed members of the board, with specific knowledge in the area of expertise. For example, bank reconciliations will be reviewed monthly by a member of the finance committee. The reviewer will confirm the payment of critical operating expenses, such as salaries and wages and the related taxes and pension payments. They will also review the classification of expenses within the financial statements.*

FINDING NUMBER 2008-002

NONCOMPLIANCE FINDING & MATERIAL WEAKNESS

26 USC 3402(a) (1) 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 fiscal year 2008, the School withheld from employees, but did not remit to the United States Treasury, \$12,125 of federal income taxes resulting in a total federal tax liability in the amount of \$46,034, when combined with the prior year balance outstanding. In addition, the School overstated the amount payable on its financial statements, which required an audit adjustment.

The School should record the proper amount of all remittances as intergovernmental payable, 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.*

Officials' Response: *The school has revised its payroll processing procedures to include the payment of taxes at the time of preparation of the payroll. The payments will be calculated and remitted with the payroll. Where possible the payment will be made electronically, to ensure prompt receipt and an acceptable audit trail. Additionally, the school has negotiated repayment arrangements for prior year arrearages. The payment of these taxes will also be subject to review by the finance committee.*

FINDING NUMBER 2008-003

NONCOMPLIANCE FINDING & MATERIAL WEAKNESS

26 USC 3102(a) states 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 \$4,864 for fiscal year 2008, resulting in a total payable of \$14,936 when combined with the prior year balance outstanding. In addition, the School overstated the amount payable on the financial statements, which required an audit adjustment.

The School should record the proper amount of 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 a late tax filing. *This matter has been referred to the Internal Revenue Service for further investigation.*

Officials' Response: *The school has revised its payroll processing procedures to include the payment of taxes at the time of preparation of the payroll. The payments will be calculated and remitted with the payroll. Where possible the payment will be made electronically, to ensure prompt receipt and an acceptable audit trail. Additionally, the school has negotiated repayment arrangements for prior year arrearages. The payment of these taxes will also be subject to review by the finance committee.*

FINDING NUMBER 2008-004

NONCOMPLIANCE FINDING & MATERIAL WEAKNESS

Title III Chapter 36 Division 7 Section 36.102A of the City of Dayton Charter states subject to Section 36.116, an annual tax authorized by this division is to be imposed at the rate specified in Section 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 Ohio Revised Code Section 718.011, and on net profits earned or received by a non-resident from the operation or conduct of business in the City.

During fiscal year 2008 the School withheld City of Dayton income taxes in the amount of \$234 from its employees, resulting in a total payable in the amount of \$6,499, when combined with the prior year balance outstanding. In addition, the School overstated the amount payable on its financial statements, which required an audit adjustment. The School, however, lies within the limits of Harrison Township, which does not impose an income tax on earnings within the Township. This resulted in the School withholding money for the 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.

Officials' Response: *The school has revised its payroll processing procedures to include the payment of taxes at the time of preparation of the payroll. The payments will be calculated and remitted with the payroll. Where possible the payment will be made electronically, to ensure prompt receipt and an acceptable audit trail. Additionally, the school has negotiated repayment arrangements for prior year arrearages. The payment of these taxes will also be subject to review by the finance committee.*

FINDING NUMBER 2008-005

NONCOMPLIANCE FINDING & MATERIAL WEAKNESS

Ohio Admin. Code Section 117-2-02(D) states 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.
- Each local public office should establish a capitalization threshold so that, 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. Additionally, the capital asset records maintained by the School did not present all of the assets owned by the School, did not provide a means of identifying which items were capitalized, and the Board did not approve the School's capital asset policy. The accounting records did not comply with the general requirements mentioned above. For example, the capital asset records did not contain: acquisition date, voucher number, asset description, location, or the tag number. This could result in an insufficient audit trail, the overpayment or underpayment of leave and untimely recognition of the theft or disposal of assets. Additionally, the School failed to properly record a capital asset in the amount of \$3,309. This amount was material and an audit adjustment was required to the accompanying statements. 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.

**FINDING NUMBER 2008-005
(Continued)**

Officials' Response: *The school will adopt the recommendations of the auditor concerning the accounting for leave absences and fixed asset accounting. The assets accounting will be incorporated into the computerized financial system and subject to management review. The leave accounting will be done by the school administrative management, who are responsible for reporting payroll information to the Treasurer.*

FINDING NUMBER 2008-006

NONCOMPLIANCE FINDING

Ohio Revised Code Section 3314.011 states 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 § 117-6-07** 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 Revised Code Section 3314.011. The governing authority prescribes the bond amount and surety by resolution. Further, **Article II Section 22 of the Sponsorship Agreement** states that the Treasurer's bond and proof of required training shall be in the custody of the Sponsor and the School Governing Authority at all times.

The School did not execute a bond for the Fiscal Officer. Additionally a bond amount was not approved by the Board. This could result in the bond amount being inadequate, and 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 flow of the School.

Officials' Response: *The School will immediately execute a bond to conform to the requirements of the administrative code. The board has vested the responsibility for insurance coverage with the finance committee.*

FINDING NUMBER 2008-007

NONCOMPLIANCE FINDING

Ohio Revised Code Section 3314.03(A)(11)(b) states that the governing authority of each community School must purchase liability insurance, or otherwise provide for the potential liability of the School. Additionally **Article (II) section (FF) of the contract with the sponsor** requires comprehensive general liability insurance should be maintained at all times and the liability insurance must have amounts no less than one million dollars per occurrence and three million dollars in the aggregate and the Board must obtain policies that notify the Sponsor in writing at least thirty days in advance of any material adverse changes to, or cancellation of, such coverage.

The School's general liability insurance lapsed from December 2007 through April 2008 as noted in the cancellation notice from the insurance company. Additionally, the School did not maintain the three million dollar aggregate coverage required nor did they notify the Sponsor of any material adverse changes. Instead, they maintained an aggregate coverage of two million dollars. This could result in unnecessary liability to the School. The School should implement procedures to verify that it maintains the required coverage on all school facilities for the entire period of operation.

Officials' Response: *The board has vested the responsibility for insurance coverage with the finance committee.*

FINDING NUMBER 2008-008

NONCOMPLIANCE FINDING

Article II Section D of the Sponsorship Contract requires the School to comply with Chapter 102 of the Ohio Revised Code, except that a member of the School's governing authority or board, may also be an employee of the School and may have interest in a contract in which the school governing authority or board enters, so long as that contract is not with a for-profit entity and for management of a school under the auspices of the school's governing authority. Article IX Section 5 of the school's by-laws states that any director officer, key employee, or committee members having an interest in a contract, other transaction or program presented to or discussed by the Board or Board committee for authorization, approval, or ratification shall make a full and frank disclosure of his or her interest to the Board prior to its acting on such contract or transactions.

Ohio Rev. Code 3314.03(A)(11)(e) requires the school to comply with Chapter 102 (Public Officers Ethics) and section 2921.42 (having an unlawful interest in a public contract) of the Revised Code. Additionally **Ethics Advisory Memo 2003-001** requires members of the governing board of a community school to be bound by the provisions of R.C. Chapter 102 pursuant to the terms of the contract between the Community School and the sponsor district.

Further, **Ohio Rev. Code 2921.01(A)** defines "public official" as any elected or appointed officer, employee, or agent of the state or any political subdivision, whether in a temporary or permanent capacity. As public officials, members of the governing board of a community school are subject to the provisions of R.C. 2921.42 (public contract law) and R.C. 2921.43 (supplemental compensation law).

Because of the specific exception enacted by the General Assembly in R.C. 3314.03(A)(11)(e), the Ethics Commission concluded that a member of the Board of a community school may become an employee of the School and may sell goods or some services to the community school. However, **Ohio Rev. Code 102.03(D) and 2921.42(A)(1)** prohibit a member of the board of a community school from participating, in any manner as a Board member, in board actions to approve, or alter the terms and conditions of any kind of contract in which he, a family member, or a business associate, has an interest, including an employment contract.

This conclusion also applies to all officers and employees of a community school, excluding teachers and other educators who have no authority to perform supervisory or administrative functions.

Contrary to the aforementioned requirements, the Board Director, James Willis signed several employment contracts that were for family members, and additionally did not abstain from approving a loan made by his wife, the School Director, as follows:

- Director contract in the amount of \$32,000 for Johnnye Willis, related to the Board Director James Willis.
- Executive Director agreement in the amount of \$35,000 for Jassica Jones, related to the Board Director, James Willis. Johnnye Willis signed the contract as well.
- \$5,000 loan to the School from the Director, Johnnye Willis

Policies and procedures should be developed and implemented to verify that the Board members and Management disclose all their conflicts of interest. Failure to do so could result in Board members or Management approving contracts that are in the best interest of the related party and not the School.

A referral letter will be sent to the Ohio Ethics Commission

Officials' Response: *The board has adopted a policy requiring members with conflicts of interest to abstain from voting on actions in which they have a potential conflict. This policy covers any potential transaction (employment, vendor relations) that the board would have to approve.*

FINDING NUMBER 2008-009

NONCOMPLIANCE FINDING

Article II Section D of the Sponsorship Contract requires the School to comply with Chapter 102 of the Ohio Revised Code, except that a member of the School's governing authority or board, may also be an employee of the School and may have interest in a contract in which the school governing authority or board enters, so long as that contract is not with a for-profit entity and for management of a school under the auspices of the school's governing authority. Article IX Section 5 of the school's by-laws states that any director officer, key employee, or committee members having an interest in a contract, other transaction or program presented to or discussed by the Board or Board committee for authorization, approval, or ratification shall make a full and frank disclosure of his or her interest to the Board prior to its acting on such contract or transactions.

Ohio Revised Code 3314.03(A)(11)(e) requires the school to comply with Chapter 102 (Public Officers Ethics) and section 2921.42 (having an unlawful interest in a public contract) of the Revised Code. Additionally **Ethics Advisory Memo 2003-001** requires members of the governing board of a community school to be bound by the provisions of R.C. Chapter 102 pursuant to the terms of the contract between the community school and the sponsor district.

Further, **Ohio Revised Code 2921.01(A)** defines "public official" as any elected or appointed officer, employee, or agent of the state or any political subdivision, whether in a temporary or permanent capacity. As public officials, members of the governing board of a community school are subject to the provisions of R.C. 2921.42 (public contract law) and R.C. 2921.43 (supplemental compensation law).

Because of the specific exception enacted by the General Assembly in R.C. 3314.03(A)(11)(e), the Ethics Commission concluded that a member of the Board of a community school may become an employee of the school and may sell goods or some services to the community school. However, R.C. 102.03(D) and 2921.42(A)(1) prohibit a member of the board of a community school from participating, in any manner as a Board member, in board actions to approve, or alter the terms and conditions of, any kind of contract in which he, a family member, or a business associate, has an interest, including an employment contract.

This conclusion also applies to all officers and employees of a community school, excluding teachers and other educators who have no authority to perform supervisory or administrative functions.

Contrary to the aforementioned requirements, the Executive Director, Jassica Jones signed one employment contract that was for a family member:

- Director contract in the amount of \$32,000 for Johnnye Willis, mother of the Executive Director

Policies and procedures should be developed and implemented to verify that the Board members and Management disclose all their conflicts of interest. Failure to do so could result in Board members or Management approving contracts that are in the best interest of the related party and not the School.

A referral letter will be sent to the Ohio Ethics Commission.

Officials' Response: *The board has adopted a policy requiring members with conflicts of interest to abstain from voting on actions in which they have a potential conflict. This policy covers any potential transaction (employment, vendor relations) that the board would have to approve.*

FINDING NUMBER 2008-010

MATERIAL WEAKNESS

The School did not maintain strong monitoring controls, nor did they utilize key performance indicators. Key performance indicators are information that Management utilizes to measure the financial performance related to the various operations of the School. Monitoring controls assist in the cash management function and should include the following:

- Regular review of budget and actual amounts;
- Regular review of financial report summaries of sufficient detail (monthly detailed revenue and expenditure reports);
- Review of revenues and expenditures with independently accumulated data/information (budgets, past performance);
- Review of monthly Bank reconciliations.

Failure of the Board to properly utilize and implement such monitoring controls could result in the Board being unaware of the performance and potential financial distress of the School. The School should develop and implement a monitoring control system over the revenues and expenditures of the School to verify that material misstatements do not occur and that liabilities will not be incurred that the School cannot meet. Additionally, the Board should request to review bank reconciliations at each monthly meeting and should continuously monitor its financial condition and adjust its plan accordingly. The Board should also implement procedures to verify that management receives timely and accurate information and is aware of the School's current financial situation.

Officials' Response: *As mentioned in our response to finding #1, the school has implemented a review procedure. We will incorporate the recommended monitoring controls as part of this review.*

FINDING NUMBER 2008-011

FINDING FOR RECOVERY REPAID UNDER AUDIT / NONCOMPLIANCE FINDING

The School's Fiscal Officer was also the Fiscal Officer for several other community schools throughout Ohio. Many occurrences were noted where the Treasurer mailed items via the United States Postal Service (USPS) to or for his other schools, and sometimes to unrelated individuals, however, paid for such with NuBethel's funds. This same situation was noted in the prior audit as well.

The School's failure to properly monitor its expenditures to provide they were only for NuBethel's operations resulted in the following funds being spent on behalf of others:

Payments made on behalf of New City School:

<u>Check Date</u>	<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>	<u>Reason for Finding</u>
08/13/2007	2810	USPS	\$ 16.25	Did not benefit the school
10/10/2007	2907	USPS	16.25	Did not benefit the school
12/12/2007	3008	USPS	32.50	Did not benefit the school
01/12/2008	3037	USPS	16.25	Did not benefit the school
02/14/2008	3067	USPS	16.25	Did not benefit the school
04/18/2008	3152	USPS	16.25	Did not benefit the school
		Total	<u>\$113.75</u>	

**FINDING NUMBER 2008-011
 (Continued)**

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

<u>Check Date</u>	<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>	<u>Reason for Finding</u>
08/14/2007	2832	USPS	\$ 16.25	Did not benefit the school
08/31/2007	2852	USPS	30.70	Did not benefit the school
10/19/2007	2933	USPS	16.25	Did not benefit the school
11/23/2007	2971	USPS	16.25	Did not benefit the school
12/12/2007	3008	USPS	32.50	Did not benefit the school
01/12/2008	3037	USPS	16.25	Did not benefit the school
		Total	\$128.20	

Payments on behalf of Arise Academy:

<u>Check Date</u>	<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>	<u>Reason for Finding</u>
08/14/2007	2832	USPS	\$ 24.50	Did not benefit the school
10/04/2007	2904	USPS	16.25	Did not benefit the school
10/25/2007	2942	USPS	16.25	Did not benefit the school
11/29/2007	2987	USPS	16.25	Did not benefit the school
12/12/2007	3008	USPS	16.25	Did not benefit the school
01/12/2008	3037	USPS	16.25	Did not benefit the school
02/14/2008	3067	USPS	16.25	Did not benefit the school
02/19/2008	3070	USPS	16.25	Did not benefit the school
		Total	\$138.25	

Payment on behalf of Cleveland Academy of Scholarship Technology and Leadership Enterprise:

<u>Check Date</u>	<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>	<u>Reason for Finding</u>
08/14/2007	2832	USPS	\$16.25	Did not benefit the school
09/14/2007	2885	USPS	16.25	Did not benefit the school
11/29/2007	2987	USPS	16.25	Did not benefit the school
12/12/2007	3008	USPS	16.25	Did not benefit the school
01/12/2008	3037	USPS	16.25	Did not benefit the school
		Total	\$81.25	

Payments on behalf of The Lion of Judah Community School:

<u>Check Date</u>	<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>	<u>Reason for Finding</u>
10/25/2007	2942	USPS	\$16.25	Did not benefit the school
01/12/2008	3044	USPS	16.25	Did not benefit the school
02/14/2008	3067	USPS	16.25	Did not benefit the school
02/19/2008	3070	USPS	16.25	Did not benefit the school
		Total	\$65.00	

**FINDING NUMBER 2008-011
 (Continued)**

Payments made on behalf of individuals:

<u>Check Date</u>	<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>	<u>Reason for Finding</u>
08/13/2007	2810	USPS	\$16.25	Did not benefit the school
11/29/2007	2993	USPS	46.23	Lack of supporting
01/12/2008	3044	USPS	16.25	documentation.
02/19/2008	3070	USPS	16.25	Did not benefit the school
04/18/2008	3152	USPS	16.25	Did not benefit the school
05/27/2008	3195	USPS	16.50	Did not benefit the school
		Total	\$127.73	

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Carl Shye for all amounts noted above, totaling \$654.18, in favor of the Nu Bethel Center of Excellence.

On September 16, 2009 Carl Shye paid \$654.18 to NuBethel on check number 7404 for reparation of this finding.

Officials' Response: *The Treasurer has suspended this practice for all schools, including NuBethel. The amounts questioned will be refunded to the school.*

FINDING NUMBER 2008-012

FINDING FOR RECOVERY REPAID UNDER AUDIT / NONCOMPLIANCE FINDING

The School's building lease was with Bethesda Temple. Such lease, however, was in the name of the Board President and his wife, the Director. The lease stated the lessee will pay the lessor \$2,300 per month. During the audit period, total rent payments made by the School to Bethesda Temple totaled \$32,400. This resulted in an overpayment of \$4,800 for the School's lease.

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Bethesda Temple in the amount of \$4,800 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 Revised 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 Carl Shye, jointly and severally, in the amount of \$4,800, in favor of the Nu Bethel Center of Excellence. Carl Shye shall be jointly and severally liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Bethesda Temple.

In addition, all contracts entered on behalf of the School should be in the School's name.

On September 16, 2009 Carl Shye paid \$4,800 to NuBethel on check number 7405 for repayment of this finding.

**FINDING NUMBER 2008-012
 (Continued)**

Officials' Response: *The school negotiated a lease agreement with Bethesda Temple for instructional space. However during the year, the space requirements of the school increased as a result of enrollment and instructional needs. School management negotiated for the additional space requirements but did not obtain a modification to the lease agreement to cover the addition space. The school will negotiate a new lease in the name of the school and recover the amount questioned from the lessor.*

Auditor of State's Analysis: *As the Officials' Response indicates, there was not a lease modification made, therefore the only document available to audit was the original lease.*

FINDING NUMBER 2008-013

FINDING FOR RECOVERY REPAID UNDER AUDIT / NONCOMPLIANCE FINDING

Ohio Revised Code Section 3314.03(A)(11)(d) requires that each contract entered 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 Revised Code.

Ohio Revised 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.

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.

Ohio Attorney General Opinion 82-006 addressed the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case *States ex rel. McClure v. Hagerman, 155 Ohio St. 329 (1951)*, states that expenditures made by a governmental unit should serve a public purpose.

The School had a debit card for its checking account during the year, which the Director, Johnnye Willis had custody of. As detailed below, several purchases were made with such debit card, for which no supporting documentation could be located:

07/12/2007	Office Depot #87	433.63
07/12/2007	Office Depot #87	129.99
07/12/2007	Office Depot #87	79.19
07/23/2007	Gardner-Tobin, Inc.	648.20
08/06/2007	Office Depot #87	153.40
08/16/2007	Rite Aid Store	6.20
08/23/2007	Rite Aid Store	19.19
09/07/2007	Tcc	62.94
10/11/2007	First Class Conference	275.00
10/19/2007	Queen City Reprographics	19.15
11/06/2007	Queen City Reprographics	7.64
01/17/2008	Kroger	17.94
01/25/2008	Withdraw	35.00
01/25/2008	Kroger	1.49
02/14/2008	Item copy fee	70.00
03/06/2008	ODP Transfer Fee	10.00
06/03/2008	Withdrawal	500.00
	Total	\$2,468.96

**FINDING NUMBER 2008-013
 (Continued)**

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Johnnye Willis, Director, in the amount of \$2,468.96 for purchases made with the debit card in her custody, which were lacking supporting documentation, in favor of the NuBethel Center of Excellence.

On September 16, 2009 Johnnye Willis, Director was owed an amount for accrued interest on prior personal loans to the School. Mrs. Willis offset part of the accrued interest to repay this finding for recovery.

Officials' Response: *The debit card usage was discontinued as a result of a similar finding in the school's FY2007 audit. These transactions occurred before that policy was implemented. Ms. Willis will repay these amounts.*

FINDING NUMBER 2008-014

FINDING FOR RECOVERY / NONCOMPLIANCE FINDING

On November 29, 2007, the School entered into an employment contract with Jearlene McAtee for Clerical Support for compensation in the amount of \$29,442.72 for work to be performed during the 2007-2008 school year, payable over 24 pay periods. It was noted that the School overpaid Ms. McAtee in the amount of \$253.49 calculated below.

Employment Contract Amount	\$29,442.72
Yearly Pay Periods	24.00
Gross Amount Per Pay Period	<u>1,226.78</u>
Gross Amount Per Pay Period	1,226.78
Contract Pay Periods Worked	14.00
Prorated Contract Amount	<u>17,174.92</u>
Gross Amount Paid per School	<u>17,428.41</u>
Total Overpayment	<u>(\$253.49)</u>

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Jearlene McAtee in the amount of \$253.49 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 Revised 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.

**FINDING NUMBER 2008-014
(Continued)**

Accordingly, a Finding for Recovery is issued against Carl Shye, Treasurer, jointly and severally in the amount of \$253.49 and in favor of NuBethel Center of Excellence. Carl Shye shall be jointly and severally liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Jearlene Mcatee.

Officials' Response: *We did not receive a response from Officials to this finding.*

FINDING NUMBER 2008-015

FINDING FOR RECOVERY REPAID UNDER AUDIT / NONCOMPLIANCE FINDING

Ohio Revised 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.

In addition, Section III of the Sponsorship Agreement states for and in consideration of the 3% of all funds received by the School from the State of Ohio, including state start-up grants, but excluding federal funds, the Sponsor shall provide the oversight required by law.

The School paid \$7,833.59 to the sponsor and was only required to pay \$7,515.42 which resulted in an overpayment of \$318.17.

Total State Receipts	\$250,514.00
Sponsorship Fee	3%
Total Sponsorship Fees	<u>7,515.42</u>
Total Payments	<u>7,833.59</u>
Total Overpayment to Sponsor	<u>(\$ 318.17)</u>

In accordance with the foregoing facts and pursuant to **Ohio Revised 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 \$318.17 and in favor of NuBethel Center of Excellence.

On September 17, 2009 Educational Resource Consultants of Ohio repaid \$318.17 to NuBethel on check number 22585.

Officials' Response: *We did not receive a response from Officials to this finding.*

FINDING NUMBER 2008-016

FINDING FOR RECOVERY REPAID UNDER AUDIT / NONCOMPLIANCE FINDING

On November 29, 2007, the School entered an employment contract with Johnnye Willis, Executive Director for compensation in the amount of \$32,000 for work to be performed during the 2007-2008 school year, payable over 24 pay periods. As noted in item 4 of her subsequent contract, dated June 16, 2008, Johnnye Willis agreed to no payment from June 16, 2008 to June 30, 2008, in the amount of \$1,333.33 (*). It was noted that the School overpaid Ms. Willis in the amount of \$181.05 as calculated below.

Employment Contract Amount	\$32,000.00
Yearly Pay Periods	24.00
Gross Amount Per Pay Period (*)	<u>1,333.33</u>
Employment Contract Amount	32,000.00
Less 1 Pay (*)	<u>(1,333.33)</u>
Prorated Contract Amount	<u>30,666.67</u>
Amount Paid Per School	<u>30,847.72</u>
Total Overpayment	<u><u>(\$181.05)</u></u>

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Johnnye Willis in the amount of \$181.05 and in favor of NuBethel Center of Excellence.

On September 16, 2009 Johnnye Willis, Director was owed an amount for accrued interest on prior personal loans to the School. Mrs. Willis offset part of the accrued interest to repay this finding for recovery.

Officials' Response: *We did not receive a response from Officials to this finding.*

This page intentionally left blank.

**NU BETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Ohio Revised Code 3314.03 (B)(5) & AOS Bulletin 2000-005	No	Repeated as Finding 2008-001
2007-002	26 United States Code (USC) 3402(a)	No	Repeated as Finding 2008-002
2007-003	Title III Chapter 36 Division 7 Section 36.102A of the City of Dayton Charter	No	Repeated as Finding 2008-004
2007-004	Ohio Rev. Code Section 4123.38	Yes	
2007-005	Ohio Rev. Code Section 5747.06 (A)	Partial	Repeated in Management Letter
2007-006	26 USC 3102(a) and 26 USC 3111(a)	No	Repeated as Finding 2008-003
2007-007	Ohio Rev. Code Section 3314.011 and Ohio Admin. Code Section 117-6-07 (B)	No	Repeated as Finding 2008-006
2007-008	Article II Section Z of the Sponsorship Agreement – posting errors	Yes	
2007-009	OAC 117-2-02(D)(4) - Failure of a sufficient capital asset accounting system	No	Repeated as Finding 2008-005
2007-010	Adequate accounting system	Yes	
2007-011	Debt transactions	Partial	Repeated in Management Letter
2007-012	Risk assessment process	Yes	
2007-013	Ledger Errors	Partial	Repeated in Management Letter
2007-014	Finding for Recoveries	No	Repeated as Finding 2008-011
2007-015	Finding for Recovery and Ohio Rev. Code 3314.03(C)	No	Repeated as Finding 2008-015



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
NOVEMBER 5, 2009**