



Dave Yost • Auditor of State



**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying basic financial statements of the NuBethel Center of Excellence, Montgomery County (the School), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NuBethel Center of Excellence, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the School ceased operations as of June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 9, 2011

**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

Presented below is a discussion and analysis of the NuBethel Center of Excellence financial performance for the fiscal year ended June 30, 2010. 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 (\$130,010).
- Total assets at fiscal year-end were \$49,423 and total liabilities were \$179,433.
- The School had operating revenues for the fiscal year 2010 of \$403,863 and operating expenses of \$588,786.

**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 2009 and 2010.

<b>(Table 1)</b>			
<b>Net Assets</b>			
	<b>2009</b>	<b>2010</b>	<b>Change</b>
<b>Assets:</b>			
Current Assets	\$44,571	\$ 43,629	(\$ 942)
Capital Assets, Net	4,429	5,794	1,365
<b>Total Assets</b>	<b>49,000</b>	<b>49,423</b>	<b>423</b>
<b>Liabilities:</b>			
Current liabilities	184,328	179,433	(4,895)
<b>Net Assets:</b>			
Invested in Capital Assets	4,429	5,794	1,365
Unrestricted	(139,757)	(135,804)	3,953
<b>Total Net Assets/Accumulated Deficit</b>	<b>(\$135,328)</b>	<b>(\$130,010)</b>	<b>5,318</b>

Current Assets decreased \$942 due to a decrease in intergovernmental receivables. Capital Assets increased \$1,365 due to acquisitions. Current Liabilities decreased \$4,895 due to the payment of tax liabilities. The Accumulated Deficit decreased \$5,318 due to revenues exceeding expenditures in fiscal year 2010.

**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

Table 2 shows the changes in net assets for fiscal years 2009 and 2010.

<b>Table 2</b>			
<b>Change in Net Assets</b>			
	<b>2009</b>	<b>2010</b>	<b>Change</b>
<b>Operating Revenues:</b>			
State Foundation	\$383,977	\$399,166	\$15,189
Poverty Based Assistance	4,940	4,697	(243)
Total Operating Revenues	388,917	403,863	14,946
<b>Non-Operating Revenues:</b>			
Federal and State Grants	112,691	154,684	41,993
Other	34,245	35,557	1,312
Total Non-Operating Revenues	146,936	190,241	43,305
Total Revenues	535,853	594,104	58,251
<b>Operating Expenses:</b>			
Salaries	222,382	232,308	9,926
Fringe Benefits	51,194	66,638	15,444
Purchased Services	230,217	242,912	12,695
Rent	32,175	40,740	8,565
Materials & Supplies	8,312	6,188	(2,124)
Depreciation	560		(560)
Total Expenses	544,840	588,786	\$43,946
Change in Net Assets	(8,987)	5,318	
Net Assets (Deficit) at Beginning of Year	(126,341)	(135,328)	
Net Assets (Deficit) at End of Year	(\$135,328)	(\$130,010)	

Total Foundation revenue was up due to increased and sustained enrollment for the fiscal year. This also contributed to the \$41,993 increase in federal and state grants revenue. Overall expenses increased \$43,946 due to salary and vendor purchase increases. The School experienced a decrease in the accumulated deficit of \$5,318 for fiscal year 2010.

**Capital Assets**

At the end of the fiscal year 2010, the School had \$5,794 invested in furniture and equipment. Table 3 shows the fiscal year detail.

<b>Table 3</b>	
<b>Capital Assets (Net of Depreciation) at June 30</b>	
	<b>2010</b>
Furniture & Equipment	\$7,474
Less: Accumulated Depreciation	(1,680)
Net Capital Assets	\$5,794

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

**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 5844 Central College Rd., New Albany, Ohio 43054.



**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS / ACCUMULATED DEFICIT  
JUNE 30, 2010**

**Assets:**

**Current Assets:**

Cash and Cash Equivalents	\$8,460
Prepaid Items	750
Intergovernmental Receivable	34,419
Total Current Assets	<u>43,629</u>

**Non-Current Assets:**

**Capital Assets:**

Depreciable Capital Assets, Net	5,794
Total Assets	<u>49,423</u>

**Liabilities:**

**Current liabilities:**

Accounts payable	84,512
Accrued Wages and Benefits Payable	1,623
Intergovernmental Payables	93,298
Total Liabilities	<u>179,433</u>

**Net Assets / Accumulated Deficit:**

Invested in Capital Assets	5,794
Unrestricted	(135,804)
Total Net Assets / Accumulated Deficit	<u><u>(\$130,010)</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, 2010**

<b>Operating Revenues:</b>	
State Foundation	\$399,166
Poverty Based Assistance	4,697
Total Operating Revenues	<u>403,863</u>
<b>Operating Expenses:</b>	
Salaries	232,308
Fringe Benefits	66,638
Purchased Services	242,912
Rent	40,740
Materials & Supplies	6,188
Total Operating Expenses	<u>588,786</u>
Operating Loss	<u>(184,923)</u>
<b>Non-Operating Revenues:</b>	
Federal and State Grants	154,684
Other	35,557
Total Non-Operating Revenues	<u>190,241</u>
Change in Net Assets	5,318
Net Assets (Deficit) at Beginning of Year	<u>(135,328)</u>
Net Assets (Deficit) at End of Year	<u><u>(\$130,010)</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, 2010**

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows Provided by / Used For Operating Activities:**

Cash Received from State of Ohio	\$428,397
Cash Payments to Employees for Services	(311,166)
Cash Payments to Suppliers for Goods and Services	(290,993)
Net Cash Used by Operating Activities	<u>(173,762)</u>

**Cash Flows from Noncapital Financing Activities:**

Federal and State Grants Received	148,957
Other Non-operating Revenues	35,557
Net Cash Provided by Noncapital Financing Activities	<u>184,514</u>

**Cash Flows from Capital and Related Financing Activities:**

Cash Payments for Capital Acquisition	(1,365)
Cash Payments for Interest on Loan	(5,177)
Net Cash Used for Capital and Related Financial Activities	<u>(6,542)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 4,210

Cash and Cash Equivalents at Beginning of Year 4,250

Cash and Cash Equivalents at End of Year 8,460

**Reconciliation of Operating Loss to Net**

**Cash Used For Operating Activities:**

Operating Loss (184,923)

**Adjustments to Reconcile Operating:**

**Changes in Assets and Liabilities:**

Decrease in Intergovernmental Receivable	10,879
Decrease in Accounts Payable	(1,153)
Increase in Intergovernmental Payable	6,866
Decrease in Accrued Wages	(5,431)
Total Adjustments	<u>11,161</u>

Net Cash Used For Operating Activities (\$173,762)

*See accompanying notes to the basic financial statements.*

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**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010**

**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 Sponsor did not renew the School's contract after June 30, 2010. 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 8)

**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, 2010  
(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 2010.

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.

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 \$13,063 was exposed to custodial credit risk because it was insured by FDIC.

**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 outstanding receivables, in the amount of \$34,419, as of June 30, 2010.

**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:

Furniture and Equipment	3-5 years
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**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. The School had no restricted net assets at June 30, 2010.

**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.

**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 and STRS.

**N. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>6/30/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2010</u>
<b>Capital Assets:</b>				
Equipment	\$6,109	\$1,365		\$7,474
Less: Accumulated Depreciation	(1,680)			(1,680)
	\$4,429	\$1,365	\$0	\$5,794

**O. Operating Leases**

The School has an operating lease with Bethesda Temple Apostolic Church Inc. to lease a School facility. Payments totaling \$40,740 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, 2010 the School contracted for the following insurance coverage:

Coverage Provided by Mutual Insurance Company:

<b>General Liability:</b>	
Each Occurrence	\$1,000,000
Aggregate	\$2,000,000

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.



**NUBETHEL CENTER OF EXCELLENCE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**4. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Descriptions-** 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, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**Funding Policy-** Plan members are required to contribute 10 percent of their annual covered salary and the School was required to contribute at an actuarially determined rate of 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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations; 9.09 percent was the portion that was used to fund pension obligations for fiscal year 2009. 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$18,131, \$4,959 and \$8,504, respectively. 67 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

**Plan Descriptions-**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 Comprehensive Annual Financial Report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://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 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 onetime 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.

**NUBETHEL CENTER OF EXCELLENCE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**4. DEFINED BENEFIT PENSION PLANS (Continued)**

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.

**Funding Policy-**For the fiscal year ended June 30, 2010, 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, the same percent as fiscal year 2009. 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 the DB Plan for the fiscal years ended June 30, 2010, 2009, and 2008 were \$20,274, \$22,478 and \$12,365, respectively. 89 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The School did not have any employees who participated in the DC or Combined Plans for the fiscal year ended June 30, 2010.

**5. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

The School participates in two cost-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 a prescription drug program. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. The School's required contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,078, \$409, and \$630. 100 percent has been contributed for all three fiscal years.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation was .46 percent of covered payroll.

**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**5. POSTEMPLOYMENT BENEFITS (Continued)**

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$653, \$2,269, and \$3,881. 67 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The SERS Retirement Board establishes rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853, or by visiting the SERS website at [ohsers.org](http://ohsers.org) under forms and publications.

**B. State Teachers Retirement System**

**Plan Descriptions-** 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](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy-** Ohio law authorized 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 benefits may be deducted from employer contributions. For the fiscal year ended June 30, 2010, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund; the same percentage that was allocated for the fiscal year ended June 30, 2009. The School's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,560, \$1,729 and \$951. 89 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009, (the latest information available) the balance in the Fund was \$2.7 billion. For the fiscal year ended June 30, 2009, net health care costs paid by STRS Ohio were \$298,110,000 and STRS Ohio had 129,659 eligible benefit recipients.

**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**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, 2010.

**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 \$13,655 for fiscal year 2010 which is reported as "intergovernmental payable" on the Statement of Net Assets/Accumulated Deficit.

**7. NONCOMPLIANCE**

The School did not comply with requirements regarding remitting federal, state and local tax withholdings.

**8. 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 \$1,943 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.

**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**9. PURCHASED SERVICES**

For the period ended June 30, 2010, purchased service expense for services rendered by various vendors were as follows:

Professional and Technical Services	\$191,505
Sponsor Fees	11,503
Maintenance	16,037
Communications	2,707
Other	<u>21,160</u>
Total Expenses	<u>\$242,912</u>

**10. RELATED PARTY TRANSACTIONS**

The School paid a 3% sponsorship fee to the Educational Resource Consultant's of Ohio in the amount of \$11,503 for fiscal year 2010.

**11. SUBSEQUENT EVENT**

As of June 30, 2010, the School's charter agreement with its Sponsor expired and the School terminated operations. The cash balance at August 31, 2011 was \$589.

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# Dave Yost • 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 Governing Board:

We have audited the financial statements of NuBethel Center of Excellence, Montgomery County, (the School) as of and for the year ended June 30, 2010, which collectively comprise the Schools basic financial statements and have issued our report thereon dated November 9, 2011, wherein we noted that the School ceased operations as of June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness

### **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 2010-001 through 2010-017.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 9, 2011



**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2010**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Revised Code Section 3314.03 (B)(5) and AOS Bulletin 2000-005** require that the management of each community School be responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

The School's Financial Report for 2010 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:**

- Intergovernmental Receivable was overstated by \$3,762;
- Accounts Payable was understated by \$9,279;
- Intergovernmental Payable was understated by \$17,173;
- \$76,125 in Unrestricted Net Assets were reported as Restricted for Payroll Taxes.

**Statement of Revenues, Expenses and Changes in Accumulated Deficit:**

- State Foundation Revenue was overstated by \$13,655
- Fringe Benefits was understated by \$3,518;
- Purchased Services was understated by \$9,279;
- Federal and State Grants Revenue was overstated by \$3,762

**Statement of Cash Flows:**

- Cash Received from State of Ohio was understated by \$10,879;
- Cash Payments to Suppliers for Goods/Services was overstated by \$19,525;
- Cash Payments to Employees for Services/Benefits were understated \$15,738;
- Cash Received from Federal and State Grants were overstated by \$9,489;
- Cash Payments for Interest on Loans were understated by 5,177

Financial statements have been adjusted for the above noted misstatements. In addition, several insignificant errors were also noted in revenue, expense and payable postings that did not require audit adjustments but have been reported to the School's management. Numerous errors requiring adjustments were also noted in the Management Discussion and Analysis (MD&A) and the Notes to the Financial Statements.

School officials should review Auditor of State (AOS) Bulletin 2000-005 to develop and implement procedures that provide for the integrity the financial records. Additionally, the amounts in the financial statements, notes to the financial statement, and MD&A should be supported by the appropriate documentation.

### FINDING NUMBER 2010-002

#### NONCOMPLIANCE

**Ohio Revised 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.

While the School properly withheld Ohio Income Tax from its employees they failed to remit withholdings in the amount of \$4,459, to the Ohio Department of Taxation resulting in a total payable of \$12,490 when combined with the prior year outstanding balance. The amount was reported as a liability on the financial statements.

The School should 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 remittances. This matter has been referred to the Ohio Department of Taxation for further investigation.

### FINDING NUMBER 2010-003

#### NONCOMPLIANCE/ FINDING FOR RECOVERY

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

On July 7, 2010, Christopher Martin, School Administrator, requested a Visa Check Card in the amount of \$400 "in order to purchase boxes, envelopes, postage, etc. for moving items and mailing grades as Nu Bethel ceases operations." On July 9, 2010, the Treasurer prepared and signed a check to JP Morgan Chase Bank in the amount of \$400 for the purchase of the Visa Check Card. Upon review of the receipts included to support the \$400 payment it was noted that the receipts were dated June 30, 2010 and only totaled to \$211. No supporting documentation was provided for \$189.

Without proper supporting documentation, it is not possible to determine if the expenditures included items that would be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

**FINDING NUMBER 2010-003  
(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 Christopher Martin, School Administrator, in the amount of \$189 and in favor of Nu Bethel Center of Excellence.

In addition, 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 liable for the amount of such expenditure. Steward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred 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. Att'y Gen. No. 80-074.

Carl W. Shye Jr. signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Carl W. Shye Jr. and his bonding company Western Surety Company in the amount of \$189 and in favor of the NuBethel Center of Excellence to the extent that recovery or restitution is not obtained from Christopher Martin.

**FINDING NUMBER 2010-004**

**NONCOMPLIANCE/ FINDING FOR RECOVERY**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

On June 30, 2010 the NuBethel Center of Excellence ceased operations. On July 19, 2010 the Treasurer, Carl W. Shye Jr. made two separate purchases at the Easton Market Staples in Columbus. The first purchase in the amount of \$622 included items such as a printer, paper, ink and other miscellaneous office supplies. The second purchase in the amount of \$96 was for a laptop computer carrying case. The Treasurer prepared and signed two checks from the School's account to pay for these purchases, check number 4099 in amount of \$622 was made payable to Carl Shye and check number 4104 in amount of \$96 was made payable to Staples. The checks cleared the School's account on July 20, 2010 and July 21, 2010 respectively. There was no documentation indicating that the Board, prior to the closing of the School, approved this expenditure or that the purchase was for a proper public purpose. The School was located in Dayton and should not have used any supplies in July 2010 since the School had ceased operations as of June 30, 2010.

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 Treasurer, Carl W. Shye, Jr. and his bonding company, Western Surety Company jointly and severally in the amount of \$718 and in favor of Nu Bethel Center of Excellence.

## FINDING NUMBER 2010-005

### NONCOMPLIANCE

**Ohio Rev. Code §3314.08** provides the formula by which Community Schools are funded. Community Schools receive funding from the state through the per-pupil foundation allocation. Unlike city, local, exempted village and joint vocational school districts, Community Schools have no tax base from which to draw funds for buildings and investment in infrastructure.

**Ohio Rev. Code §3313.64(J)** states that the treasurer of each school district shall, by the fifteenth day of January and July, furnish the superintendent of public instruction a report listing the names of each child in the permanent or legal custody of a government agency or person other than the child's parent and each child who resides in a home, who attended the district's schools during the preceding six calendar months. For each child, the report shall state the duration of attendance of that child, the school district responsible for tuition on behalf of the child, and any other information that the superintendent requires. Upon receipt of this report, the superintendent shall deduct each district's tuition obligations and pay to the district of attendance that amount plus any amount required to be paid by the state.

**Ohio Rev. Code §3314.08** requires the board of education of each school district to annually report the number of students entitled to attend school in the district that are actually enrolled in community schools. This section also requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend. Based on these reported numbers, the state Department of Education shall calculate and subtract the appropriate amount of state aid from each school district. The amount subtracted shall be paid to the corresponding community school or to the internet or computer-based community school entitled to receive those funds. When calculating and subtracting the appropriate amount of state aid, the department should take into consideration any enrollment of students in community schools for less than the equivalent of a full school year.

**Ohio Rev. Code §3314.03** requires that the contract entered into between a sponsor and the governing authority of a community school state the following:

- that the governing authority will adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in one hundred five consecutive hours of the learning opportunities offered to the student;
- that the school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty (920) hours per school year; the school is required to meet the minimum 25 student count prior to September 30<sup>th</sup> and may fall below that count throughout the year.
- that the governing authority will adopt a policy regarding the admission of students who reside outside the district in which the school is located; and
- a financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount of each such year.

**FINDING NUMBER 2010-005  
(Continued)**

The School did not provide the auditors with any of the required information to test the above mentioned sections of ORC therefore AOS is not able to determine if the School is in compliance with the applicable laws.

**FINDING NUMBER 2010-006**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 3314.015(E)** states that the department shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school.

The Ohio Department of Education has developed Community School Closing Procedures Assurances, the purpose of this document is to assure ODE that a sponsor has followed legally required community school closing procedures in a timely manner. Sponsors must provide and execute a plan for the closure of community schools they sponsor prior to the school closing its doors. Sponsors are required to complete and sign this assurance to ODE that proper notifications occur, records are properly distributed and assets are properly disposed with dates recorded in the cells including a final FTE review and scheduling of the final state audit within 30 days of closure of the school.

The School and Sponsor began to perform the close-out procedures required upon closure of the school; however, the process was not completed. After inspection of the "Community School Closing Procedures Assurances" completed by the School, there was no evidence that following procedures were performed by the School or the Sponsor:

**Initial Notifications, Student Records, and School Records:**

1. The Sponsor shall immediately take control of and secure all school records, property and assets when the school closes:
  - a. Student records shall be provided to all resident districts within seven business days of closure of the school as defined in Section 3314.44 or the Ohio Revised Code (The sponsor provided the student records to the resident districts on July 26, 2010);
  - b. IEP records shall be provided directly to receiving school special education administrators for all students with disabilities, particularly for students with physical needs or low incidence disabilities.
  
2. Notify the School's staff of the decision to close the school:
  - a. Ensure that STRS and SERS contributions are current;
  - b. Clarify COBRA benefits and when medical benefits end.

**FINDING NUMBER 2010-006**  
**(Continued)**

3. Notify resident districts and other stakeholders of the decision to close the school:
  - a. Notify all resident districts, districts providing transportation and parents within a written timeline of the closing process;
    - i. Send notifications 30 days prior to planned closures
    - ii. Send notifications immediately for emergency closures
    - iii. Notify County courts for court-placed students
  - b. Provide the reasons for closing and sponsor contact information;
  - c. Notify the Information Technology Center (ITC) and arrange for a method by which all outstanding EMIS data will be reported (note: all fiscal year EMIS data must be submitted even if the School closes prior to the required submission date);
  - d. Notify the Office of Community Schools to eliminate all SAFE, CCIP, and other ODE account logins for personnel associated with the closed school with the exception of designated closing process reporting personnel;
4. Notify the public:
  - a. Prepare written press releases for the local media specific to the school that can be disseminated to media and provide name and phone of the school spokesperson
5. Submit all outstanding Federal Programs and other competitive award FER and APR reports to ODE including Title I using CCIP

**Disposition of Assets:**

6. Keep State and Federal assets separated for purposes of disposition. Federal dollars cannot be used to pay state liabilities.
  - a. Review the financial records of the school;
    - i. Establish the fair market (initial and amortized) value via fixed assets policy, for all fixed assets;
    - ii. Establish check off list of purchasers with proper USAS codes (599), state codes (001,499), the price of each item and identify the source of funds;
    - iii. Establish legal authority for payment processes (e.g. checks, cash, credit cards, etc.); and,
    - iv. Establish disposition plan for any remaining items.
    - v. Identify any State Facilities Commission guarantees
7. Make disposition of the school's fixed assets:
  - a. Offer real property acquired from a public school district to that school district's board first at fair market value. If the district board does not accept the offer within 60 days, dispose of the property in another lawful manner below.
  - b. For Federal Title and other consolidated and competitive funds, follow EDGAR liquidation procedures in 34 CFR 80.32 including disposition for items valued at \$5,000 or greater;
  - c. Current Public Charter School Program (PCSP) grant period assets must first be offered to other community schools with requisite board resolutions consistent with the purpose of the PCSP. If there are no takers, then an auction sale must be held to dispose of the assets along with the state funded assets;
    - i. Notify Office of Community Schools, then public media (print media, radio) of the date and location of any property disposition auction;
    - ii. Follow EDGAR liquidation procedures in 34 CFR 80.32 for items valued at \$5,000 or greater;

**FINDING NUMBER 2010-006  
(Continued)**

- iii. Refund auction proceeds with correct federal and state program codes listed to the appropriate program with checks payable to, "Treasurer, State of Ohio";
  - iv. Provide board resolutions and minutes of any transfer of assets with a dollar value of "0" to another school;
  - v. Provide OCS (Ohio Community School division of the Ohio Department of Education) with a written report of the property (bill of sale);
  - vi. Return to eTech (formerly Ohio SchoolNet) hardware and software to be redistributed per statutory requirements to other schools.
  - vii. Remaining assets purchased from funds prior to the current USDOE award grant period may be offered to any public school district with documented board resolutions by the community school and the accepting district.
8. Utilize only state dollars, auction proceeds, foundation dollars and any other non-federal dollars to pay the following in order:
- a. STRS/SERS/retirement and other adjustments;
  - b. Teachers and staff;
  - c. Audit preparation (prepared financials);
  - d. Private creditors;
  - e. Foundation overpayments;
  - f. Resident school districts pro-rated for students attending the community school.
9. Review and prepare the following itemized financials:
- a. A cash analysis (taking the previous month's recap and determining the cash balance as of the closing date);
  - b. A list of compiled bank statements for the year and give to the sponsor;
  - c. A list of investments in paper hard copy format and provide to the sponsor;
  - d. A list payables and determine when a check to pay the liability clears the bank;
  - e. A list all unused checks (collect and void all unused checks);
  - f. A list of any petty cash and provide to sponsor;
  - g. A list of bank accounts, closing the accounts once all transactions are cleared; and,
  - h. A list of all payroll reports including taxes, retirement, or adjustments on employee contract.
  - i. A list of all accounts receivable.

The School's management and/or Sponsor should contact the Ohio Department of Education to rectify any outstanding items associated with the closing of the school.

**FINDING NUMBER 2010-007**

**NONCOMPLIANCE**

**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.

**FINDING NUMBER 2010-007  
(Continued)**

During fiscal year 2010 the School withheld but did not remit City of Dayton income taxes in the amount of \$683 from its employees, resulting in a total payable in the amount of \$7,182, when combined with the prior year outstanding balance. This amount was reported as a liability on the financial statements. Additionally, the School 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 City of Dayton taxes for employees who were not subject to these taxes.

The School should remit taxes to the employee's home City or refund all taxes withheld for the City of Dayton.

**FINDING NUMBER 2010-008**

**NONCOMPLIANCE/ FINDING FOR RECOVERY**

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

The following cash withdrawal made out of the School's payroll tax checking account by Carl Shye did not have any supporting documentation:

<u>Date</u>	<u>Withdrawal</u>	<u>Withdrawal Slip Signed By:</u>
4/8/2010	\$1,000	Carl Shye

Without proper supporting documentation, it is not possible to determine if the expenditures included items that would be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the School's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

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 Treasurer, Carl W. Shye, Jr. and his bonding company, Western Surety Company jointly and severally in the amount of \$1,000 and in favor of Nu Bethel Center of Excellence.



**FINDING NUMBER 2010-009**

**NONCOMPLIANCE**

**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 had a fiscal year 2009 carryover balance of \$19,216 payable to the United States Treasury for Medicare taxes. Additional \$6,894 in Medicare taxes was due on fiscal year 2010 payroll. Total payments made to the United States Treasury amounted to \$10,211. A payable of \$15,899 was still due to the IRS for Medicare Taxes. The School has reported the remaining liability on the financial statements.

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 will be referred to the Internal Revenue Service.

**FINDING NUMBER 2010-010**

**NONCOMPLIANCE**

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.

The School had a fiscal year 2009 carryover balance of \$57,364 payable to the United States Treasury for federal income taxes. An additional \$17,093 in federal income taxes was due on fiscal year 2010 payroll. Total payments made to the United States Treasury during fiscal year 2010 amounted to \$30,386. A payable of \$44,071 was still due to the IRS for federal income taxes. The School has reported the remaining liability on the financial statements.

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 will be referred to the Internal Revenue Service.

### FINDING NUMBER 2010-011

#### NONCOMPLIANCE

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

The School failed to provide the following documents:

1. City and State withholding remittance information;
2. Bank Statements for two of the Chase Bank checking accounts;
3. Documentation of the last day worked for six employees;
4. An invoice was not provided to support the payment made to Carl Shye, check #4113 in the amount of \$5,000 (a Finding For Recovery was also issued);
5. An invoice was not provided to support the payment made to Carl Shye, check #4114 in the amount of \$4,000 (a Finding For Recovery was also issued);
6. An invoice was not provided to support the December 2009 payment to MDECA, check #3984 in the amount of \$194;
7. An invoice was not provided to support the EFT payment to AT&T, on July 2, 2010, in the amount of \$472;
8. An invoice was not provided to support the EFT payment to Dayton Power and Light, on July 8, 2010, in the amount of \$453;
9. An invoice was not provided to support the EFT payment to Dayton Power and Light, on July 8, 2010, in the amount of \$448;
10. An invoice was not provided to support the payment made to David Smith, check #4102 in the amount of \$612 (a Finding For Recovery was also issued)
11. Supporting documentation for petty cash replenishments in the amount of \$250 for check number 3727, \$250 for check number 3889, \$1,000 for check number 3746 and \$250 for check number 3795 (A Finding For Recovery was also issued)

The School should maintain all records and supporting documentation for a time period in accordance with their record retention policy.

### FINDING NUMBER 2010-012

#### NONCOMPLIANCE/ FINDING FOR RECOVERY

On August 3, 2009, the School entered into a contract for \$25,000 with Jearlene McAtee for office support services for the 2009-2010 school year. Ms. McAtee was paid pursuant to this contract amount through February 15, 2010, at which time, the Board approved a salary reduction for Ms. McAtee, reducing her contract amount to \$22,000. Additionally, during fiscal year 2010, Ms. McAtee was paid \$1,041 the last pay period of fiscal year 2009. Between July 1, 2009 and June 30, 2010, the School was contractually obligated to pay Ms. McAtee \$22,839 for services rendered. The School paid Ms. McAtee \$23,041 resulting in an overpayment in the amount of \$202.

**FINDING NUMBER 2010-012  
 (Continued)**

Following is a summary of wages earned by Ms. McAtee:

Original Contract – 24 Pays from 8/3/09 to 7/26/10:

<u>Contract Period</u>	<u>Number of Pays</u>	<u>Contract</u>	<u>Gross Per Pay</u>	<u>Recalculated Gross Pay</u>
8/3/09 – 2/14/10	13	\$25,000	\$1,042	\$13,546

Reduction in pay effective 2/15/10:

<u>Contract Period</u>	<u>Number of Pays</u>	<u>Contract</u>	<u>Gross Per Pay</u>	<u>Recalculated Gross Pay</u>
2/15/10– 7/26/10	9	\$22,000	\$917	\$8,253

Total recalculated fiscal year 2010 gross salary	21,799
Plus FY'09 accrued wages paid on 7/1/09	1,040
Total 2010 recalculated salary payments	22,839
Actual Gross Salary per School records	23,041
Overpayment	202

There was no documentation to indicate that the Board approved the additional funds paid to Ms. McAtee. Further, there was no documentation to indication that the additional funds were otherwise for a proper public purpose.

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 \$202 and in favor of Nu Bethel Center of Excellence, in the amount of \$202.

In addition, 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 liable for the amount of such expenditure. Steward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; **Ohio Rev. Code Section 9.39**; State, ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred 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. Att'y Gen. No. 80-074.

Treasurer Carl Shye Jr. controlled public funds from which improper payments were made. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Carl Shye Jr. and his bonding company Western Surety Company, in the amount of \$202 and in favor of the NuBethel Center of Excellence to the extent that recovery or restitution is not obtained from Jearlene McAtee.

**FINDING NUMBER 2010-013**

**NONCOMPLIANCE/ FINDING FOR RECOVERY**

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

On July 21, 2010 the Academy issued check #4102 to David Smith in the amount of \$612. The purchase was authorized by Christopher Martin, Administrator and the check was signed by Treasurer Carl W. Shye Jr. There was no documentation indicating that the Board approved this expenditure or that it was otherwise for a proper public purpose.

Without proper supporting documentation, it is not possible to determine if the expenditures included items that would be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

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 David Smith in the amount of \$612 and in favor of 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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074: **Ohio Rev. Code Section 9.39**; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Administrator, Christopher Martin approved the payment and Carl W. Shye Jr. signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Christopher Martin in the amount of \$612, Carl W. Shye Jr. and his bonding company Western Surety Company in the amount of \$612 and in favor of the NuBethel Center of Excellence to the extent that recovery or restitution is not obtained from David Smith.

**FINDING NUMBER 2010-014**

**NONCOMPLIANCE / FINDING FOR RECOVERY**

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

The Board approved petty cash policy stated that the School will never have more than \$250 at any given time available and any purchases must be accompanied by receipts in order to replenish cash after depleting funds. The following petty cash reimbursements made to Lolita Stevenson did not have any receipts supporting the replenishment of the fund:

- Check #3746 issued on August 25, 2009 did not have any support for the \$1,000 petty cash replenishment. The check was signed by Carl W. Shye, Jr. and Johnnye Willis.
- Check #3795 issued on September 30, 2009 did not have support for the \$250 petty cash replenishment. The Check was signed by Carl W. Shye, Jr. and James Willis.
- Check #3889 issued on December 16, 2009 did not have support for the \$250 petty cash replenishment. The Check was signed by Carl W. Shye, Jr. and James Willis.

There was no documentation indicating the Board approved these expenditures or that they were otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the petty cash fund expenditures included items that would be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the School's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

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 Lolita Stevenson in the amount of \$1,500 and in favor of 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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074: **Ohio Rev. Code Section 9.39**; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Johnnye Willis, the School's Director; James Willis, Board President and Carl W. Shye Jr., School Treasurer signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Johnnye Willis in the amount of \$1,000, James Willis in the amount of \$500, and Carl W. Shye Jr. and his bonding company Western Surety Company in the amount of \$1,500 and in favor of the NuBethel Center of Excellence to the extent that recovery or restitution is not obtained from Lolita Stevenson.

**FINDING NUMBER 2010-015**

**NONCOMPLIANCE/ FINDING FOR RECOVERY**

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

The following payments made to Carl W. Shye, Jr., Treasurer, lacked adequate support from the vendor assuring that the goods and/or services had been provided. In lieu of original invoices prepared by the vendors, Mr. Shye presented a personal invoice to the School.

<b>Check #</b>	<b>Check Date</b>	<b>Amount</b>	<b>Invoice Description</b>
3856	12/9/2009	\$ 505	Check Stock
3857	12/11/2009	3,500	Monthly Internal Audit Fees
3891	12/18/2009	750	Cost of Quickbooks licenses for 3 individual accounts
4003	3/31/2010	350	Quickbooks Checks and Fees
4094	6/29/2010	450	Memo line on check states "Treasurer Bonding" @
Total Paid		<u>\$5,555</u>	

@ - On November 6, 2009, the School issued check number 3876 in the amount of \$350 to CNA Surety for the Treasurer's bond.

Additionally, the Academy's Board approved policy required all checks to be signed by two authorized signatories. However, all the above mentioned checks were only signed by Carl W. Shye Jr.

There was no documentation indicating the Board approved these expenditures or that they were otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditures included items that would be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

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 Treasurer, Carl W. Shye, Jr. and his bonding company, Western Surety Company jointly and severally in the amount of \$5,555 and in favor of Nu Bethel Center of Excellence.

**FINDING NUMBER 2010-016**

**NONCOMPLIANCE – FINDING FOR RECOVERY**

**Article II, Section 3h. of the Nu Bethel Center of Excellence By Laws** states that the Board shall have the specific power of selecting and removing Officers of the Corporation; to prescribe duties for them; and to fix their compensation. On June 22, 2009 the Board approved fiscal year 2010 budget as presented by the Treasurer, Carl W. Shye, Jr., as item 2007-10-68. The Board approved fee for Treasurer Services was \$24,000 in this budget. On July 1, 2009 the Treasurer, Carl W. Shye, Jr., and the Board President, James Willis, entered into a contract for Fiscal Services in the amount of \$60,000 annually for fiscal year ended June 30, 2010 plus \$40,000 for outstanding due for services provided in prior years. However, this contract was never formally ratified by the Board and therefore is not considered legal. The only Board approved documentation for the Treasurer's salary was the 2010 budget and any payments in excess of the Board approved budget amount of \$24,000 were determined to be overpayments.

The following payments were made to Carl W. Shye, Jr.:

<b>Check #</b>	<b>Check Date</b>	<b>Amount</b>	<b>Invoice Description</b>
3718	7/8/2009	\$ 5,000	Treasury Services
3732	8/7/2009	3,500	Monthly financial consulting/accounting contract
3742	8/24/2009	3,500	Treasury Services
3758	9/8/2009	5,000	Treasury Services
3759	9/8/2009	3,500	Treasury Services
3810	10/15/2009	2,000	Monthly Treasurer Fees
3842	11/24/2009	3,500	Treasury Services
3890	12/17/2009	3,584	Monthly Treasurer Fees
3905	1/11/2010	3,500	Monthly Treasurer Fees
3917	1/18/2010	3,500	Monthly Treasurer Fees
3940	2/3/2010	3,500	Monthly Treasurer Fees
3955	2/12/2010	3,500	Monthly Treasurer Fees
3970	3/1/2010	3,500	Monthly Treasurer Fees
3973	3/12/2010	3,500	Monthly Treasurer Fees
3993	3/19/2010	3,500	Monthly Treasurer Fees
3994	3/24/2010	3,500	Monthly Treasurer Fees
4004	4/1/2010	3,500	Monthly Treasurer Fees
4006	4/2/2010	300	No description provided
4036	4/30/2010	3,500	Monthly Treasurer Fees
4056	5/18/2010	3,500	Monthly Treasurer Fees
4070	5/27/2010	3,500	Monthly Treasurer Fees
4073	6/2/2010	2,500	Monthly Treasurer Fees
4086	6/15/2010	4,500	Monthly Treasurer Fees
4089	6/22/2010	6,500	Monthly Treasurer Fees
4090	6/28/2010	3,000	Monthly Treasurer Fees
4091	6/28/2010	1,500	Monthly Treasurer Fees
4097	7/12/2010	3,500	Monthly Treasurer Fees
4098	7/17/2010	3,500	Monthly Treasurer Fees
4106	7/24/2010	1,080	Monthly Treasurer Fees
4107	7/26/2010	350	No description provided
4112	8/5/2010	1,500	Monthly Treasurer Fees
4113	9/15/2010	5,000	No invoice provided
4114	11/3/2010	4,000	No invoice provided
Total Paid		108,814	
Treasurer Service Fees Budget		(24,000)	
Total Overpayment		<u>\$84,814</u>	

**FINDING NUMBER 2010-016  
(Continued)**

The Academy's Board approved policy required all checks to be signed by two authorized signatories. However, only check number 3742 had required two signatures and check number 3758 was signed by Johnnye Willis, all other checks were only signed by Carl W. Shye Jr.

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 Treasurer, Carl W. Shye, Jr. and his bonding company, Western Surety Company jointly and severally in the amount of \$84,814 and in favor of Nu Bethel Center of Excellence.

**FINDING NUMBER 2010-017**

**NONCOMPLIANCE – FINDING FOR RECOVERY**

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

The Board approved petty cash policy states that the School will never have more than \$250 at any given time available and any purchases must be accompanied by receipts in order to replenish cash after depleting funds. On July 30, 2009 check #3727 was issued to Nu Bethel Center of Excellence in the amount of \$250 for the Petty Cash account. The check was endorsed by Johnnye Willis. There were no receipts provided to support the replenishment of the fund.

Without proper supporting documentation, it is not possible to determine if the petty cash fund expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the School's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

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 in the amount of \$250 and in favor of 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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074: **Ohio Rev. Code Section 9.39**; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.



**FINDING NUMBER 2010-017  
(Continued)**

Johnnye Willis and Carl W. Shye Jr. signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Carl W. Shye Jr. and his bonding company Western Surety Company in the amount of \$250 and in favor of the NuBethel Center of Excellence to the extent that recovery or restitution is not obtained from Johnnye Willis.

**Official's Response:**

We received no response from officials for the findings noted above.

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**NUBETHEL CENTER OF EXCELLENCE  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2009-001	Accounts Payable incorrectly reported	No	Repeated as Finding 2010-001
2009-002	ORC 3314.03(B)(5) and AOS Bulletin 2000-005 – Annual Financial Reporting	No	Repeated as Finding 2010-001
2009-003	Finding for Recovery – Johnnye Willis – Improper withdrawal	Yes	
2009-004	Treasurer Finding for Recovery – Wanda Hines – Overpayment	Yes	
2009-005	Finding for Recovery – Elizabeth Coatsworth – Salary Overpayment	Yes	
2009-006	Finding for Recovery – Harold Thomas – Salary Overpayment	Yes	
2009-007	Finding for Recovery – Serenity Warkentine – Salary Overpayment	Yes	
2009-008	Finding for Recovery – Nena Reck – Salary Overpayment	Yes	
2009-009	Finding for Recovery – Educational Resource Consultants of Ohio – Sponsorship Fee Overpayment	Yes	
2009-010	Article II Section D of the Sponsorship Contract, Article IX Section 5 of the School Bylaws, ORC 3314.03(A)(11)(e), Ohio Ethics Commission Advisory Opinion 2003-001 and ORC 2921.01(A). – Conflict of Interest	Yes	
2009-011	Article II Section D of the Sponsorship Contract, Article IX Section 5 of the School Bylaws, ORC 3314.03(A)(11)(e), Ohio Ethics Commission Advisory Opinion 2003-001 and ORC 2921.01(A). – Conflict of Interest	Yes	
2009-012	ORC 3314.011, OAC 117-7-07 and Article II Section 22 of the Sponsorship Agreement – Treasurer’s Bond	Yes	
2009-013	ORC 149.011(G), ORC 149.43(B)(1) and ORC 149.351(A) – missing records	No	Repeated as Finding 2010-011
2000-014	Article II, Item 3b & c, Article III, Item 1, Article IV, Items 1 & 2, Article V, Item 2,	No	School closed

NuBethel Center of Excellence  
 Montgomery County  
 Schedule of Prior Audit Findings  
 Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
	Article VI, Item 1, Article II Section 3(j) of the By-laws and Article II K, Article II DD, Article II C, Article III and Article II FF of the Sponsorship Agreement		
2009-015	26 USC 3402(a)(1) – federal income tax payments	No	Repeated as Finding 2010-010
2009-016	26 USC 3102(a) – Medicare tax payments	No	Repeated as Finding 2010-009
2009-017	Title III Chapter 36 Division 7 Section 36.102A of the City of Dayton Charter – City income tax payments	No	Repeated as Finding 2010-007
2009-018	ORC 5747.06 (A) – State income tax payments.	No	Repeated as Finding 2010-002



# Dave Yost • 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  
DECEMBER 29, 2011**