



Mary Taylor, CPA
Auditor of State

MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

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

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

As disclosed in Note 4, the capital asset amount included on the basic financial statements referred to above has not been audited, as detailed support was not available for such. Capital assets represent 71 percent and 232 percent of the School's assets and net assets, respectively. In addition, as disclosed in note 11c, although the client disclosed to us that a lawsuit was pending against the School, their legal counsel failed to respond to our request for their opinion regarding such.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had the School's capital assets been audited and the effect of the lawsuit been known, the financial statements referred to above present fairly, in all material respects, the respective financial position of Main Street Automotive Magnet School, Montgomery County as of June 30, 2006, and the changes in the financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2007, 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.

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

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

Mary Taylor, CPA
Auditor of State

August 28, 2007

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

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

Financial Highlights

- In total, net assets increased \$150,265, which represents a 153.5 percent increase from fiscal year 2005.
- Total assets increased \$142,477, which represents a 510.4 percent increase from fiscal year 2005.
- Total liabilities decreased by \$7,788, which represents a 6.2 percent decrease from fiscal year 2005.

Using this Financial Report

This report consists of three parts, the management's discussion and analysis, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

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

Table 1 provides a summary of the School's net assets for fiscal years 2006 and 2005.

	(Table 1)		
	Net Assets		
	2006	2005	Change
Assets			
Current Assets	\$48,912	\$9,493	\$39,419
Capital Assets, Net	121,479	18,421	103,058
Total Assets	<u>170,391</u>	<u>27,914</u>	<u>142,477</u>
Liabilities			
Current Liabilities	78,878	75,876	3,002
Long-Term Liabilities	39,150	49,940	(10,790)
Total Liabilities	<u>118,028</u>	<u>125,816</u>	<u>(7,788)</u>
Net Assets			
Invested in Capital Assets	121,479	18,421	103,058
Restricted for Other Purposes	3,941	17,871	(13,930)
Unrestricted (Deficti)	(73,057)	(134,194)	61,137
Total Net Assets	<u>\$52,363</u>	<u>(\$97,902)</u>	<u>\$150,265</u>

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Total net assets increased by \$150,265. The increase was due primarily to an increase in State Foundation funding from an increase in enrollment and in State and federal grants received during the fiscal year. The increase in current liabilities was mainly because of all liabilities increasing. The decrease in long-term liabilities resulted from a payment on the outstanding business loan during the fiscal year, with no new debt being issued. Also, in the prior fiscal year, a liability was recognized for compensated absences for one employee who was eligible to retire. This employee retired during fiscal year 2006; therefore no long-term liability was recognized. Since she was not paid before fiscal year-end, a current liability was recognized instead. A significant amount of capital assets were obtained during the fiscal year and since the additions did not require related debt to be issued, net assets invested in capital assets increased significantly.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School increased by \$61,137 because of the increase in enrollment.

Table 2 shows the changes in net assets for fiscal years 2006 and 2005.

**(Table 2)
Change in Net Assets**

	2006	2005	Change
Operating Revenues:			
State Foundation	\$525,550	\$292,504	\$233,046
Poverty Based Assistance	11,212	970	10,242
Total Operating Revenues	<u>536,762</u>	<u>293,474</u>	<u>243,288</u>
Non-Operating Revenues:			
Federal and State Grants	385,808	23,524	362,284
Gifts and Donations	765	8,712	(7,947)
Total Non-Operating Revenues	<u>386,573</u>	<u>32,236</u>	<u>354,337</u>
Total Revenues	<u>923,335</u>	<u>325,710</u>	<u>597,625</u>
Operating Expenses:			
Salaries	250,616	147,426	103,190
Fringe Benefits	47,621	29,765	17,856
Purchased Services	339,363	118,166	221,197
Rent	79,605	58,500	21,105
Materials and Supplies	49,297	67,509	(18,212)
Depreciation	3,684	0	3,684
Total Operating Expenses	<u>770,186</u>	<u>421,366</u>	<u>348,820</u>
Non-Operating Expenses Interest and Fiscal Charges	2,884	2,246	638
Total Expenses	<u>773,070</u>	<u>423,612</u>	<u>\$349,458</u>
Changes in Net Assets	150,265	(97,902)	
Net Assets (Deficit) at Beginning of Year	<u>(97,902)</u>		
Net Assets (Deficit) at End of Year	<u>\$ 52,363</u>	<u>(\$ 97,902)</u>	

The increase in net assets was due primarily to an increase in State Foundation funding from an increase in enrollment. The significant increase in salaries and fringe benefits expense was due primarily to the addition of three employees. A majority of the increase in purchased services was due to professional and technical and property services expenditures. Also, an increase in enrollment brings more student costs.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)
(Continued)**

Capital Assets

At the end of fiscal year 2006, the School had \$121,479 invested in furniture and equipment, an increase of \$103,058 from fiscal year 2005. Table 3 shows fiscal years 2006 and 2005 balances.

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

	<u>2006</u>	<u>2005</u>
Furniture and Equipment	<u>\$121,479</u>	<u>\$18,421</u>

Additions included computers, copiers, automotive equipment, and security equipment. For more information on capital assets, refer to Note 4 of the basic financial statements.

Debt Administration

The School had a \$39,150 business loan outstanding at June 30, 2006. The loan was issued during fiscal year 2005 in the amount of \$49,150 to cover operating expenses. Principal payments of \$10,000 were made during fiscal year 2006. Refer to Note 10 of the basic financial statements for additional information.

Current Financial Issues and Concerns

Main Street Automotive Magnet School is in a financial position at this time where revenues are exceeding expenditures, therefore reducing the deficit from the first year of operations.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Phyllis Bixler, Treasurer at Main Street Automotive Magnet School, 440 Hunter Avenue, Dayton, Ohio 45404 or e-mail at ww_treas@mdeca.org.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

Assets:

Current Assets:

Cash and Cash Equivalents	\$14,035
Intergovernmental Receivable	34,877
Total Current Assets	<u>48,912</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	121,479
Total Assets	<u>170,391</u>

Liabilities:

Current Liabilities:

Accounts Payable	30,651
Accrued Wages and Benefits Payable	17,060
Intergovernmental Payable	22,920
Compensated Absences Payable	8,247
Total Current Liabilities	<u>78,878</u>

Non-Current Liabilities:

Business Loan Payable	39,150
Total Liabilities	<u>118,028</u>

Net Assets:

Invested in Capital Assets	121,479
Restricted for Other Purposes	3,941
Unrestricted (Deficit)	(73,057)
Total Net Assets	<u><u>\$52,363</u></u>

See accompanying notes to the basic financial statements.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

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

Operating Revenues:

State Foundation	\$525,550
Poverty Based Assistance	11,212
Total Operating Revenues	<u>536,762</u>

Operating Expenses:

Salaries	250,616
Fringe Benefits	47,621
Purchased Services	339,363
Rent	79,605
Materials and Supplies	49,297
Depreciation	3,684
Total Operating Expenses	<u>770,186</u>

Operating Loss	<u>(233,424)</u>
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Non-Operating Revenues (Expenses):

Federal and State Grants	385,808
Gifts and Donations	765
Interest and Fiscal Charges	(2,884)
Total Non-Operating Revenues (Expenses)	<u>383,689</u>

Change in Net Assets	150,265
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Net Assets (Deficit) at Beginning of Year	<u>(97,902)</u>
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Net Assets at End of Year	<u><u>\$52,363</u></u>
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See accompanying notes to the basic financial statements.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows Used for Operating Activities:

Cash Received from State of Ohio	\$508,442
Cash Payments to Employees for Services	(277,191)
Cash Payments to Suppliers for Goods and Services	(487,099)
	(487,099)
Net Cash Used for Operating Activities	(255,848)

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	387,020
Gifts and Donations	765
Business Loan Principal Payments	(10,000)
Business Loan Interest Payments	(1,833)
Fiscal Charges	(1,051)
	(1,051)
Net Cash Provided by Noncapital Financing Activities	374,901

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Capital Acquisitions	(106,742)
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Net Increase in Cash and Cash Equivalents	12,311
Cash and Cash Equivalents at Beginning of Year	1,724
Cash and Cash Equivalents at End of Year	\$14,035

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(\$233,424)
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Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation	3,684
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	(28,320)
Decrease in Accounts Payable	(35,408)
Increase in Accrued Wages and Benefits Payable	9,985
Increase in Intergovernmental Payable	20,178
Increase in Compensated Absences Payable	7,457
	7,457
Total Adjustments	(22,424)
Net Cash Used for Operating Activities	(\$255,848)

See accompanying notes to the basic financial statements.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

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

The School was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) commencing September 20, 2004 and ending June 30, 2009. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School contracted with RJ Investments to perform extended educational services. One member of RJ Investments also serves on the School's Governing Board.

The School operates under the direction of a seven-member Governing Board. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The primary government of the School consists of one fund, several departments and the Board. School programs include general operations and student related activities of the School. The School is associated with the Metropolitan Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 13)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

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

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

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. The School is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets its cash flow needs.

C. Basis of Accounting

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Cash and Cash Equivalents

The School maintains an interest bearing depository account. All funds of the School are maintained in this account. This account is presented on the statement of net assets as "Cash and Cash Equivalents". The School has no investments during fiscal year 2006.

E. Capital Assets

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

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

Furniture and Equipment	5 years
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**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Accrued Liabilities and Long-term Obligations

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

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the Poverty Based Assistance Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review concluded that the School had been underpaid by \$34,877.

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

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to service already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School's termination policy. The School records a liability for accumulated unused sick leave for all employees after ten years of current service for all positions (including certified and non-certified staff).

I. Net Assets

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

The government-wide statement of net assets reports \$3,941 of restricted net assets, none of which are restricted by enabling legislation.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Operating Revenues and Expenses

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

K. Estimates

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

L. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract agreement between the School and its Sponsor does not prescribe a budgetary process for the School.

3. RECEIVABLES

Receivables at June 30, 2006, consisted of a State Foundation grant in the amount of \$34,877, which is collectible in full and will be received within one fiscal year.

4. CAPITAL ASSETS

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

	<u>Balance 6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
Capital Assets Being Depreciated				
Furniture and Equipment	\$18,421	\$106,742	\$0	\$125,163
Less Accumulated Depreciation:				
Furniture and Equipment	<u>0</u>	<u>(3,684)</u>	<u>0</u>	<u>(3,684)</u>
Total Capital Assets				
Being Depreciated, Net	<u>\$18,421</u>	<u>\$103,058</u>	<u>\$0</u>	<u>\$121,479</u>

Detailed support was not available for the capital assets and therefore the above information was not audited.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School contracted with Insurance First of Columbus for general liability, property, and fleet insurance. The types and amounts of coverage include the following:

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

There have been significant changes in insurance coverage from the last fiscal year. During fiscal year 2005, the School was not covered for general or automobile liability through an insurance company.

B. Workers' Compensation

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006 and 2005 were \$10,510 and \$2,550, respectively; 98.52 percent has been contributed for fiscal year 2006 and 100 percent for fiscal year 2005.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006 and 2005, were \$22,772 and \$15,747, respectively; 95.90 percent has been contributed for fiscal year 2006 and 100 percent for fiscal year 2005.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$1,627 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$2,267.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. OPERATING LEASE

The School leases a building and office facility from the Jefferson Offices, LLC, under a non-cancelable operating lease. The term of this lease commences September 1, 2004 and runs through October 31, 2007. The lease payment includes use of the buildings, maintenance, custodial and grounds services. The lease payment was \$66,825 for the fiscal year ended June 30, 2006. The School also leases office space from P.K. Investments, under a non-cancelable operating lease. The term of the lease commences December 1, 2005, and terminated on June 30, 2006. Upon termination, the School began leasing the office on a month to month basis, with all terms and conditions from the initial lease agreement the same. The lease payments are \$1,800 per month. The lease payment was \$12,600 for the fiscal year ended June 30, 2006. The school also leased space from the Police Activities League, under a non-cancelable operating lease. The term of the lease commenced on October 30, 2005 and terminated on October 30, 2006. The lease payments were \$750 per month or \$6,750 for the fiscal year ended June 30, 2006. The school also leased office space from the Corinthian Baptist Church, under a non-cancelable operating lease. The term of the lease commenced on August 15, 2005 and terminated on October 15, 2005. The lease payment was \$250 per week plus \$225 per week for janitorial services. The lease payment was \$1,900 for the fiscal year ended June 30, 2006. The estimated future minimum lease payments as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$91,575
2008	45,200
	<u>\$136,775</u>

9. EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Health Insurance

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

10. LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2006 were as follows:

<u>Long-Term Obligation</u>	<u>Amount Outstanding 6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2006</u>
Business Loan	\$49,150	\$0	\$10,000	\$39,150

On February 2, 2005, the School entered into a business loan agreement with Sky Bank for operating expenses in the amount of \$50,000. The loan contained no maturity date and is due upon Sky Bank's demand. The loan carries a variable interest rate of 2 percent over the prime interest rate. Loan proceeds are accessible through monthly draws; at June 30, 2006 the total draws totaled \$39,150. The School made a principal payment of \$10,000 during fiscal year 2006.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data of the State, upon which State foundation funding is calculated. This review resulted in an adjustment of \$34,877 to foundation revenue and the receivable in fiscal year 2006 financial statements.

C. Litigation

A suit was filled in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of the right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any on the Main Street Automotive Magnet School is not presently determinable.

In addition, we are aware of a lawsuit pending against the School regarding being evicted prior to the end of the lease. However, our legal counsel failed to provide their opinion regarding such and the effect of this suit, if any, on the Main Street Automotive Magnet School, is not presently determinable.

12. RELATED PARTY TRANSACTIONS

The community school contract requires one percent of all funds received from the State of Ohio to be transferred to the Lucas County Educational Services Center for sponsorship fees. Total payments made during fiscal year ended June 30, 2006 were \$5,080. Of that total, \$499 was payable as of June 30, 2006.

The School contracted with RJ Investments to perform extended educational services. One member of RJ Investments also serves on the School's Governing Board. Total payments due for these services during the fiscal year ended June 30, 2006 were \$102,465. Of that total \$21,359.26 was payable as of June 30, 2006. An additional \$203,772 was also paid to the management company for other various items, including lease payments.

Payments were made throughout the year in the amount of \$17,944 to the Director of the Board for reimbursements.

13. JOINTLY GOVERNED ORGANIZATION

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

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

13. JOINTLY GOVERNED ORGANIZATION (Continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA \$3,531 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

14. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2006, the School has implemented *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,"* and *GASB Statement No. 47, "Accounting for Termination Benefits."*

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School's financial statements for fiscal year 2006.

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

15. SUBSEQUENT EVENT

The School entered into a lease agreement with the Archbishop of Cincinnati for the use of office space for a term of 10 months, commencing on August 1, 2006 and ending May 31, 2007. The lease payments will be \$4,000 for the sponsorship of the School.

The School entered into a contract with the Lucas County Educational Service Center on April 12, 2007 for the Sponsorship of the School.

Our June 22, 2007, the School Board approved changing the school's name to Pace Career Central.

16. PURCHASED SERVICES

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

Professional and Technical Services	\$245,961
Property Services	43,487
Travel	5,684
Communications	18,312
Other	25,919
Total Expenses	<u>\$339,363</u>



Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

We have audited the basic financial statements of the business-type activity of Main Street Automotive Magnet School (the School) as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 28, 2007. We qualified our opinion on Capital Assets because the School did not provide a detailed listing of all individual assets. In addition, the client disclosed to us that a lawsuit was pending against the School, however, their legal counsel failed to respond to our request for their opinion regarding such. We conducted our engagement in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the School's management dated August 28, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions

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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 2006-003 through 2006-007. In a separate letter to the School's management dated August 28, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Governing Board. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

August 28, 2007

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006**

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

FINDING NUMBER 2006-001

Reportable Condition

During fiscal year 2006 the School entered a contract with the Montgomery County Commissioners acting on behalf of the Montgomery County Department of Job and Family Services to receive federal funds under the Workforce Investments Act (WIA), for providing in school and out-of-school training services to enrolled participants ages 14 through 21.

The School posted \$51,333 of receipts of these federal funds as miscellaneous revenue instead of intergovernmental federal revenue. An audit adjustment was made to present the correct revenue source in the accompanying financial statements.

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

FINDING NUMBER 2006-002

Reportable Condition

The School entered a lease to operate an automotive lab on Poe Avenue in Vandalia, Ohio. This agreement was signed by the Board President; however the lease was never formally adopted by the Community School Board. Additionally this lease was being paid by RJ Investments, and reimbursed by the School. This could result in the School being accountable for payments not being paid by the Management Company. The School Board should approve all leases in a regular meeting, and pay the lessor directly for leases held by the School.

FINDING NUMBER 2006-003

Finding for Recovery

The School had several leases during the audit period for office/school space: Jefferson Offices, LLC, P&K Investments, the Police Activities League, and the Corinthian Baptist Church. The School was to pay annual rent (in addition to the cost of monthly utilities such as gas, heat, and electricity on the Jefferson Street facility). Although the leases were between the School and lessors, the management company actually made the rent payments and the School was billed for such costs by the management company, RJ Investments.

Under the lease agreements, the School owed a total amount of \$97,084.71 for rent, utilities, etc. for the audit period (the Jefferson Street facility, however, was calculated from October 1, 2005 – September 30, 2006 which is consistent with the prior year calculation). The Jefferson Street facility rent due was \$4,890 per month, and utility, janitorial, etc. bills were presented totaling \$14,779.71. The School paid RJ Investments, Inc. \$104,423.86 for this same period. This resulted in an overpayment of rent and utilities to the Management Company, RJ Investments in the amount of \$7,339.15, as detailed in the following table.

FINDING NUMBER 2006-003
(Continued)

Facility	Rent Due	Pmts Made In Fy 06	(\$120,533.86)
Jefferson	See above = \$73,459.71	Fy 05 Adjustment	21,600
Poe Ave.	750 x 9 = 6,750	Jeff. Pmts. 7/1/6 - 9/30/6	(5,490)
Hunter Ave.	1800 x 7 = 12,600	Total Payments Made	(104,423.86)
Corinthian	475x 9 = 4,275	Total Rent Due	<u>97,084.71</u>
Total Rent Due	\$97,084.71	Overpayment For Rent	\$7,339.15

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against RJ Investments in the amount of \$7,339.15 and in favor of Main Street Automotive Magnet School.

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

Accordingly, a Finding for Recovery is issued against Phyllis Bixler, Treasurer, and the Cincinnati Insurance Company, jointly and severally, in the amount of \$7,339.15 and in favor of Main Street Automotive Magnet School. Phyllis Bixler shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from RJ Investments.

FINDING NUMBER 2006-004

Noncompliance Citation

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

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

Each local public office should establish a capitalization threshold so that, at a minimum, eighty per cent of the local public office's non-infrastructure assets are identified, classified, and recorded on the local public office's financial records.

The Capital Asset records maintained by the School presented the assets by class, and did not provide a means of identifying which items were capitalized. The accounting records did not comply with the general requirements mentioned above. For example it did not contain: acquisition date, voucher number, asset description, location, or the tag number. Additionally, the School's Board did not approve a capitalization threshold to be used when recording assets on the financial statements. This could result in an insufficient audit trail, and untimely recognition of the theft of assets. The School should maintain an asset list that details the individual assets that are over the Board approved threshold. Additionally, these assets should be identified with tags so they may be verified to the capital asset listing.

FINDING NUMBER 2006-005

**Finding For Recovery-Expenditures Lacking Documentation or not Serving Proper Public Purpose
 – Partially Repaid Under Audit**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320(1951) states that expenditures made by a governmental unit should serve a public purpose. The School made various expenditures without proper supporting documentation or not serving a proper public purpose.

Payments to Joe Singleton for reimbursement of expenses:

<u>Ck. No.</u>	<u>Check Date</u>	<u>Total Ck. Amt.</u>	<u>Finding Amt.</u>	<u>Reason for Finding</u>
993002	March 2, 2006	\$998.98	\$129.25	Previously reimbursed in the prior fiscal year with check #5061 on May 17, 2005. The same invoice number was attached to both payments. Purchase was for a counter top food warmer.
5654	January 24, 2006	\$457.50	\$457.50	Services already paid for by the School with check #1005 on March 1, 2006. The same receipt was attached to both payments. Purchase was for locks & keys.
		Total \$586.75		

Payments to RJ Investments for reimbursement of expenses:

<u>Ck. No.</u>	<u>Check Date</u>	<u>Total Ck. Amt.</u>	<u>Finding Amt.</u>	<u>Reason for Finding</u>
98036	June 30, 2006	\$20,558.06	\$700	Duplicate payment. Services already paid for by the school with check #1048 on May 5, 2006. Expense was for bus transportation to a field trip.*
1064	May 31, 2006	\$9,842.85	\$565.95	Lack of supporting documentation. The remaining invoice was for rental cars and mileage reimbursements for a personal vehicle, however, there is no supporting documentation for the \$565.95.
973005	August 29, 2005	\$9,265	\$746.43	Lack of supporting documentation for \$35. Charged another \$35 for gas, and also claimed mileage. The same invoice for a phone bill for \$676.43 was also reimbursed with check #992105 dated September 21, 2005.
5567	Sept. 21, 2005	\$1,675.27	\$200	Duplicate payment. The same payroll expenditure to a substitute teacher was also reimbursed with check #992105 on September 21, 2005.
1061	May 31, 2006	\$1,700.14	\$466.36	Duplicate payment. Previously paid on the School's debit card. \$434.45 was debited on January 24, 2006 and \$31.91 was debited on January 19, 2006 from the School's bank account from the same vendor for software.
1020	March 17, 2006	\$6,160	\$960	Duplicate payment. The same payroll expenditure to a teacher was also reimbursed with check #980636 on June 30, 2006.
999306	March 2, 2006	\$1,138.44	\$130.03	Lack of supporting documentation. *
903062	March 12, 2006	\$17,324.19	\$1,568.78	Lack of supporting documentation.
999315	March 31, 2006	\$6,000	\$1,000	Lack of supporting documentation. Client stated this was for engineering drawings related to the development of the school.
999309	March 2, 2006	\$50,300	\$749.68	Lack of supporting documentation.
		Total \$7,087.23		

* = Repaid or partially repaid under audit – see below.

FINDING NUMBER 2006-005
 (Continued)

Payments booked to "Credit Card Expenses":

<u>Ck. No.</u>	<u>Check Date</u>	<u>Total Ck. Amt.</u>	<u>Finding Amt.</u>	<u>Reason for Finding</u>
999310	March 2, 2006	\$714.60	\$74.33	Lack of supporting documentation. The ledger states this was for supplies.
999312	March 2, 2006	\$541.80	\$541.80	Lack of supporting documentation.
		Total	\$616.13	

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Joe Singleton, Director, in the amount of \$586.75; against R.J. Investments, in the amount of \$7,087.23; and additionally against Phyllis Bixler and her bonding company, the Cincinnati insurance Company jointly and severally, in the amount of \$616.13 in favor of Main Street Automotive Magnet School.

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

Accordingly, a Finding for Recovery is issued against Phyllis Bixler, Treasurer, and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the total amount of \$7,673.98 and in favor of the Main Street Automotive Magnet School. Phyllis Bixler shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from RJ Investments in the amount of \$7,087.23 and Joe Singleton in the amount of \$586.75.

A payment in the amount of \$700 was deposited on November 27, 2007 to repay the finding related to check number 98036. In addition, a payment in the amount of \$32.98 was deposited on November 27, 2007 to repay part of the finding related to check number 999306.

FINDING NUMBER 2006-006

Noncompliance Citation

Ohio Rev. Code Section 3314.02(E) and **Part II K of the Community School Contract** with the Lucas County Educational Service Center (the Sponsor) state that the school governing authority shall consist of a Board of not less than five individuals who are not owners or employees, or immediate relatives of owners or employees of any for-profit company that operates or manages a School for the governing authority. During fiscal year 2006 two of the five Board members represented the for-profit management company, RJ Investments. – one worked for the management company and one was the owner. Procedures should be developed and implemented to verify that the School is in compliance with the required sections of the Ohio Rev. Code and the Sponsor's contract to provide an independent oversight Board.

This situation was corrected as Mr. Singleton stepped down from the Board on September 19, 2006, and Ms. Richetta Reed is no longer associated with RJ investments. In addition, the Board size was increased from five to seven at the end of the year.

FINDING NUMBER 2006-007

Noncompliance Citation

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

The School did not maintain underlying documentation or deposit slips for all miscellaneous and Workforce Investment Act (WIA) revenue during fiscal year 2006. Additionally, the School did not retain the invoices for several expenditures. Failure to retain these required public records resulted in an incomplete audit trail and could cause potential problems for future management decisions. The School should implement procedures which would strengthen control over their physical assets and preservation of records.

Additionally, during the period several vouchers were paid that lacked supporting documentation. During the course of the audit, documentation was located and submitted for some of these items. For example, RJ Investments was reimbursed for 220 hours and 6,544 miles for various meetings in relation to obtain financing for the Main Street Automotive Academy building site. However, no supporting information had been submitted to the Treasurer for the time or mileage associated with this reimbursement. Subsequently, supporting documentation was provided by Joe Singleton on two separate occasions. The first record submitted on May 6, 2007 contained support for 208 hours of work and 6,294 miles. The second submission months later contained support for 220 hours and 6,544 miles. The School should implement procedures to strengthen controls over the reimbursement process, and only make payments after obtaining original invoices. In addition, the School should maintain such original supporting documentation with the voucher when the check is issued.

**MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 117.28 - Finding For Recovery – Lacking Supporting Documentation and not serving a Public Purpose	No	2006-005
2005-002	ORC 117.28 - Finding For Recovery – Repaid under Audit	Yes	
2005-003	ORC 117.28 - Finding for Recovery – Overpayment of Lease	No	2006-003
2005-004	ORC 117.28 - Finding For Recovery – Overpayment of Contract	Yes	
2005-005	ORC 3314.011 - Treasurer's Bond	Yes	
2005-006	Cash Reconciliation	Yes	
2005-007	Capital Asset Policy	No	2006-004
2005-008	Deficit Net Assets	Yes	



Mary Taylor, CPA
Auditor of State

MAIN STREET AUTOMOTIVE MAGNET SCHOOL
MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 29, 2008