THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements	11
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*	23
Schedule of Findings	25
Schedule of Prior Audit Findings	33

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Mary Taylor, CPA
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INDEPENDENT ACCOUNTANTS' REPORT

The Montessori Renaissance Experience
Franklin County
1576 Loretta Avenue
Columbus, Ohio 43211

To the Board of Governors:

We have audited the accompanying basic financial statements of The Montessori Renaissance Experience, Franklin County, Ohio, (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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Montessori Renaissance Experience, Franklin County, Ohio, as of June 30, 2006, 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.

The School is experiencing certain financial difficulties. Those difficulties and management's plan are discussed in Note 17.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2008, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 2, 2008

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

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

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

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets decreased to $27,277 (from Table 1), which represents a 27 percent decrease from 2005. The decrease was due a net loss in fiscal year 2006.

- Total assets increased $45,485 (from Table 1), which represents a 293% percent increase from 2005. The increase was due to increases in cash and intergovernmental receivable.

- Liabilities increased $72,762 (from Table 1), which represents a 61 percent increase from 2005. This increase was mainly due to the increase in notes payable and accounts payable.

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, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

One of the most important questions asked about the School's finances is, "Is the School better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School.

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

(Table 1)

Net Assets

	2006	2005	Variance
Assets			
Current Assets	$ 56,944	$ 10,754	$ 46,190
Capital Assets, Net	4,078	4,783	(705)
Total Assets	61,022	15,537	45,485
Liabilities			
Current Liabilities	191,224	118,462	72,762
Total Liabilities	191,224	118,462	72,762
Net Assets			
Invested in Capital Assets	4,078	4,783	(705)
Unrestricted	(134,280)	(107,708)	(26,572)
Total Net Assets	$ (130,202)	$ (102,925)	$ (27,277)

Total net assets decreased by $27,277. This decrease was due to the net loss in the current year.

Table 2 shows the changes in net assets for fiscal year 2006 and fiscal year 2005, as well as a listing of revenues and expenses.

(Table 2)

	2006	2005	Variance
Operating Revenues			
Foundation payments	$377,204	$457,128	$ (79,924)
Tuition	-	675	(675)
Sales	1,568	13,513	(11,945)
Other	14,265	8,338	5,927
Total Operating Revenues	393,037	479,654	(86,617)
Operating Expenses			
Salaries & Benefits	329,923	440,861	110,938
Purchased Services	161,557	162,519	962
Supplies and materials	7,141	8,477	1,336
Depreciation	3,772	3,159	(613)
Other	18,233	11,377	(6,856)
Total Operating Expenses	520,626	626,393	105,767
Operating (loss)	(127,589)	(146,739)	19,150
Non-Operating Revenues/Expenses			
State Restricted Grants	5,000	6,834	(1,834)
Federal Restricted Grants	96,249	59,388	36,861
Interest and Fiscal Charges	(937)	(153)	(784)
Total Non-Operating Revenues/Expenses	100,312	66,069	34,243
Change in Net Assets	$(27,277)	$ (80,670)	$ 53,393

Fiscal year 2006 had a decrease in net assets of $27,277. The rate of decrease was less than the prior year of $80,670 due primarily to the decrease in Salaries and Benefits expense.

Capital Assets

At the end of fiscal year 2006 the School's had $4,078 invested in capital assets net of depreciation. There were two additions and no deletions for the 2006 fiscal year. Table 3 shows fiscal year 2006 and fiscal year 2005:

(Table 3)

Capital Assets at June 30, 2006
(Net of Depreciation)

	2006	2005	Variance
Furniture, Fixtures, and Equipment	4,078	4,783	(705)
Total	$ 4,078	$ 4,783	$ (705)

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

Debt – Notes Payable

At June 30, 2006, the School's had $62,200 in debt outstanding. Table 4 summarizes outstanding notes.

(Table 4)
Notes Payable at June 30, 2006

	2006	2005	Variance
Notes Payable	$ 62,200	$ 19,700	(42,500)
			-
Total	$ 62,200	$ 19,700	$ (42,500)

The school entered into a new line of Credit with the Huntington Bank, which included the original $19,700 loan line of credit and additional $20,000 for the purpose of paying the schools operating expenses.

The School received a loan from CD Garrett's School Resources in the amount of $22,500 in March 2006. There is no formal agreement requiring the loan to be paid bank in a specific time frame.

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 contract Mr. Carl Shye, Treasurer, at the THE MONTESSORI RENAISSANCE EXPERIENCE, 5844 Central College Road, New Albany, Ohio 43054 or e-mail at carl@carlshye.com.

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2006

Assets		
Current Assets		
Cash and Cash Equivalent	$	28,104
Prepaid Asset		4,613
Intergovernmental Receivable		24,227
Total Current Assets		56,944
Non-Current Assets		
Depreciable Capital Assets (Net of Accumulated Depreciation)		4,078
Total Assets	$	61,022
Liabilities		
Current Liabilities		
Accounts Payable	$	38,202
Accrued Wages & Benefits		35,258
Pension Obligation Payable		20,556
Note Payable		62,200
Intergovernmental Payable		35,008
Total Current Liabilities		191,224
Net Assets		
Invested in Capital Assets		4,078
Unrestricted (Deficit)	$	(134,280)
Total Net Assets	$	(130,202)

The accompanying notes are an integral part of the financial statements

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

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

Operating Revenues		
Sales	$	1,568
Foundation Payments		377,204
Other Operating Revenues		14,265
Total Operating Revenues		393,037
Operating Expenses		
Salaries & Benefits		329,923
Purchased Services		161,557
Materials & Supplies		7,141
Depreciation		3,772
Miscellaneous		18,233
Total Operating Expenses		520,626
Operating Loss		(127,589)
Non-Operating Revenues/Expenses		
Interest and Fiscal Charges		(937)
State Restricted Grants		5,000
Federal Restricted Grants		96,249
Total Non-Operating Revenues/Expenses		100,312
Change in Net Assets		(27,277)
Net Assets Beginning of Year		(102,925)
Net Assets End of Year	$	(130,202)

The accompanying notes are an integral part of the financial statements

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

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

Cash Flows from Operating Activities	
Cash received from Sales	$ 1,568
Cash received from Foundation Payments	377,204
Cash received from Other Operating Revenues	14,265
Cash payments for Salaries and Benefits	(324,081)
Cash payments for Purchased Services	(140,770)
Cash payments for Materials and Supplies	(7,141)
Cash payments for Miscellaneous	(18,233)
Net Cash Used for Operating Activities	(97,188)
Cash Flows from Noncapital Financing Activities	
Cash from Federal & State Subsidies	86,796
Cash received from Loans and lines of credit	85,993
Cash payment fo Debt principal and interest	(44,430)
Net Cash from Noncapital Financing Activities	128,359
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(3,067)
Net Cash from Capital and Related Financing Activities	(3,067)
Net increase in cash and cash equivalents :	28,104
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	28,104
Reconciliation of Operating loss to Net Cash Used for Operating Activities	
Operating Loss	(127,589)
Adjustments to Reconcile Operating loss to Net Cash Used for Operating Activities	
Depreciation	3,772
Changes in Assets and Liabilities:	
Increase in Prepaid Assets	(3,633)
Increase in Accounts Payable	32,973
Decrease in Accrued Wages and Benefits Payable	(1,472)
Increase in Pension Obligation Payable	6,270
Decrease in Intergovernmental Payable	(7,509)
Total Adjustments	30,401
Net cash used for by operating activities	$ (97,188)

The accompanying notes are an integral part of the financial statements

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Montessori Renaissance Experience, Franklin County, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. 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 was approved for operation under contract with the Ohio Department of Education for a period of five years commencing August 26, 2001. The School began the 2005-06 fiscal year under a contract with the Buckeye Community Hope Foundation (the Sponsor) for a period of five academic years commencing after July 1, 2005 and ending June 30, 2010; however, on April 24, 2006, the Board of Governor's approved entering into an agreement with Kids Count of Dayton to be the School's new sponsor effective June 1, 2006. 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 operated under a self-appointing five-member Board of Governors (the Board). The School Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the ten existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor, 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 Board of Governor's control the School's one instructional/support facility staffed by six certified full-time teaching personnel who provided services to 47 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The School uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

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 statement of net assets. The statement of 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 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 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 transaction, in which the School receives value without directly giving equal value in return, includes 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. Budgetary Process

Unlike other public school located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the School's contract with its sponsor. The contract between the School and its sponsor, Buckeye Community Hope Foundation, does not prescribe a budgetary process for the School.

E. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the statement of net assets. The School had no investments during the period ended June 30, 2006.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of furniture and equipment is computed using the straight line method over the estimated useful life of three to seven years. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. 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. Operation expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

I. 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.

J. Economic Dependency

The School receives the majority of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

K. Prepaid Items

The School records payments made to vendors for services that will benefit periods beyond June 30, 2006, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

3. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2006 the School 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 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. There was no effect on the financial statements.

4. DEPOSITS

At fiscal year end, the carrying amount of the School deposits was $28,104 and the bank balance was $30,202. Of the bank balance, all was covered by federal depository insurance.

5. CAPITAL ASSETS

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

	Balance 06/30/05	Additions	Deletions	Balance 06/30/06
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	15,794	3,067	-	18,861
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(11,011)	(3,772)	-	(14,783)
Business-Type Activity Capital Assets, Net	$4,783	$(705)	$ -	$4,078

6. RECEIVABLES

The Intergovernmental Receivables at June 30, 2006, consisted of the following:

Grant	Intergovernmental Receivable
Title I	$15,921
Title II-D	756
Title IV-A	116
Title V	417
Sp. Ed. Part B	4,172
Early Child IDEA	732
Title II-A	2,113
Total	**$24,227**

7. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2006, the School contracted with Anderson Insurance Company for property and general liability insurance. There is a $500 deductible for the general liability and a $1,000 deductible for property insurance.

B. Workers Compensation

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

8. DEFINED BENEFIT PENSION PLANS

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 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 required contributions for the fiscal years ended June 30, 2006, 2005, and 2004 were $26,194, $20,483, and $15,212, respectively; 77% percent has been contributed for fiscal year 2006 and 100 percent for years 2005 and 2004.

A. State Teachers Retirement System of Ohio

The School District 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 web site at www.strsoh.org.

8. DEFINED BENEFIT PENSION PLANS (Continued)

A. State Teachers Retirement System of Ohio (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by 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, 2005, and 2004 were $32,180, $29,433, and 21,836, respectively; 78% percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. 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 $7,160 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 $1,887.

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.

9. OPERATING LEASE

The School entered into a cancelable operating lease agreement with Catholic Dioceses of Columbus for classroom space and other space in a building. The terms are for August 1, 2005 through July 31, 2006. This lease for classroom facilities is payable in monthly installments of $1,125 a month. The total lease payments made in fiscal year 2006 were $13,500.

10. NOTES PAYABLE

Obligations	Principal Outstanding 6/30/05	Principal Additions	Principal Payments	Principal Outstanding 6/30/06
Line of Credit-Huntington National Bank	19,700	20,000	-	39,700
CD Garrett's School Resources, LTD.	-	22,500	-	22,500
Total	19,700	42,500	-	62,200

The School entered into a line of credit in the amount of $20,000 with the Huntington National Bank on November 5, 2004 for the purpose of paying the School operating expenses. The note has an initial rate of 6.75% and is subject change from time to time based on changes in an index which is the Lender's Prime Commercial Rate. The line of credit was secured by all business assets. Interest payments are to be made monthly beginning December 31, 2004. On September 22, October 26 and November 22, 2005 the School requested additional lines of credit totaling $20,000 from The Huntington National Bank. The $20,000 line of credit, along with the original line of credit of $19,700, was converted to a short term loan of $39,700 on March 22, 2006. The principal was due April 30, 2006. During fiscal year 2006, the School did not make payments to Huntington National Bank as outlined in the payment section of the promissory note agreement.

Effective March 20, 2006, the School entered into a loan repayment agreement with CD Garrett's School Resources, LTD. There is no formal agreement requiring the loan to be paid back in a specific time frame.

11. SHORT-TERM FINANCING

The School maintains an overdraft protection account with The Huntington National Bank with a credit limit of $5,000. Throughout the year the School had to utilize this credit limit in order to meet their operating needs. The following table summarizes the overdraft activity during year ended June 30, 2006.

	Beginning Balance June 30, 2005	Additions	Reductions	Ending Balance June 30, 2006
Overdraft	$ 0	$ 43,493	$ (43,493)	$ 0

12. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2006, the review was completed in January 2006. For the School, there was an insignificant variance between the amount received to date and the final payment made to the School. This variance will have no effect on the financial standing of the School.

C. Litigation

A suit was filed 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 a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the School is not presently determinable.

The School is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operation and pending projects. The School's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the School.

13. RELATED PARTY TRANSACTIONS

Cynthia Frazier acted as both Board President and Chief Executive Officer (CEO) for the School in 2006.

Effective March 20, 2006, the School entered into a management contract with CD Garret School Resources, LTD. CD Garret's School Resources, LTD is owned by Board Member Ceola Garret. CD Garret's School Resources will be in charge of administrative services such as: develop a marketing plan, assist with the budget preparation, develop policy and procedures, perform all EMIS and CSADM functions, etc. In return for these services, the School will pay CD Garret's School Resources $3,000 per month. The School paid $15,000 to CD Garrett during 2006 for services provided. In addition, the School entered into a loan repayment agreement for $22,500 with CD Garrett's School Resources, LTD. There is no formal agreement requiring the loan to be paid back in a specific time frame.

14. PURCHASED SERVICES

For the year ended June 30, 2006, the purchased service expenses were comprised of the following:

Professional & Technical	$77,305
Repairs/Cleaning and Maintenance	8,221
Sponsor Fees	7,339
Communications	7,660
Utilities	16,612
Rent	14,274
Food Service	30,146
Total Purchased Services	$ 161,557

15. SPONSOR

The Academy was approved for operation under a contract with Buckeye Community Hope Foundation (the Sponsor) for a period of five academic years commencing July 1, 2005. As part of this contract, the Sponsor is entitled to a maximum of 2% of the total state funds. Total amount due and paid for year ended June 30, 2006 was $7,339.

16. TAX EXEMPT STATUS

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on August 26, 2001. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

17. MANAGEMENT'S PLAN

For fiscal year 2006, the School had an unrestricted deficit ($134,280), operating loss ($127,589), and a net loss ($27,277). The School has entered into an informal agreement with Huntington National Bank to make monthly payments of $1,000 plus interest until the loan is paid in full. As of May 2, 2008, the School owed $9,426 in principal and interest. In addition, as of May 2, 2008, the School has paid the Internal Revenue Service all taxes due and are current on both SERS and STRS payments.

The School had no management plan in place for fiscal year ended June 30, 2006. At April 30, 2008, the School had a cash balance of $28,254. Projected revenues and expenditures for fiscal year ended 2007 indicate these financial difficulties will not be eliminated during 2008 but may be eliminated in fiscal year 2009. For fiscal year 2008, it is management's plan to lay off an employees, decrease expenses, and seek alternative funding sources, although nothing specific has been planned.

18. SUBSEQUENT EVENTS

On October 24, 2006, the School entered into an agreement with the Internal Revenue Service to pay delinquent taxes in the amount of $18,965. The agreement requires the School to make monthly payments of $2,000 until the debt has been liquidated. The entire amount, which represents a liability at June 30, 2006, has been included as part of intergovernmental payable on the statement of net assets.

On October 26, 2006, the School entered into a loan agreement with Andre Frazier, a relative of the CEO, for $13,000. The agreement states that the School will incur 10% interest on the loan and will make six monthly payments of $2,383.33 beginning December 2006.

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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*

The Montessori Renaissance Experience
Franklin County
1576 Loretta Avenue
Columbus, Ohio 43211

To the Board of Governors:

We have audited the basic financial statements of The Montessori Renaissance Experience, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2006, and have issued our report thereon dated May 2, 2008, wherein we noted the School was experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-004, 2006-005, and 2006-007 through 2006-011.

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

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-004 and 2006-007 also are material weaknesses.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated May 2, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-003, 2006-006, and 2006-008 through 2006-011.

We also noted certain noncompliance or other matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated May 2, 2008.

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, the Governing Board, and the Community School's sponsor. We intend it for no one other than these specified parties.

Mary Taylor, CPA
Auditor of State

May 2, 2008

**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

Filing of Annual Financial Reports- Material Noncompliance

Ohio Rev. Code Section 3314.03(A)(8) provides that the contract between a sponsor and the governing authority of a community school shall require that a community school maintain its financial records in the same manner as school districts. Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code §117-2-03 further clarifies the requirements of Ohio Revised Code §117.38.

Ohio Admin. Code Section 117-2-03(B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The School did not prepare a complete set of GAAP basic financial statements for fiscal year ended June 30, 2006 until September 18, 2007, approximately ten months after year end. In addition, as of May 2, 2008 the financial statements have not been filed with the Auditor of State's Office.

The financial statements are prepared using generally accepted accounting principles (GAAP) to enhance the decision-making capabilities of the Board of Governors and managers charged with the operations of the School, and others with regulatory interests in the results of operations and available resources of the School. GAAP basis financial statements provide financial statement users with an accurate financial picture of the School's results of operations and available resources by including accrued assets, liabilities, revenues and expenses.

However, financial information becomes less valuable with the passage of time. This is primarily because accrued revenues and expenditures become realized. Those relying upon the School's financial statements may draw different conclusions if GAAP basis financial statements are not completed in a timely and accurate fashion. Inaccurate and untimely financial statements could possibly lead to decision-making which is not in the best interests of the School.

To enhance financial accountability and decision making by the Board, managers, and others with regulatory interest, we recommend the School prepare its GAAP basic financial statements in an accurate and timely manner as required by the Ohio Administrative Code. The Ohio Administrative Code requires financial statements to be completed within 150 days of fiscal year end.

Officials' Response

Process has already begun to prepare the upcoming GAAP basis financial statements in an accurate and timely manner. The support of the CPA firm throughout the year will assist with insuring records are accurate. The CPA is the support for the Treasury Services. The Board of Directors will receive a letter of engagement to begin the GAAP after July 1, 2008 and completed before the 150 day deadline.

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

FINDING NUMBER 2006-002

Debt Payments Not In Accordance with Promissory Note Agreement- Material Noncompliance

The Payment section of the Promissory Note Agreement dated March 30, 2006 between the School and The Huntington National Bank (the Bank) for $39,700 states the “Borrower shall pay this loan in one principal payment amount of $39,700, plus interest on April 30, 2006”.

The School did not make any payments on the promissory note during fiscal year 2006. The School made principal payments in the amount of $24,677 during fiscal year-end 2007. As of May 2, 2008, the School has a remaining balance due of $ 9,426.

The Academy should take steps to ensure the outstanding balance owed to Huntington National Bank is paid in full.

Officials’ Response:

The School has a formal payment plan of $ 1,000 a month plus interest with a pay – off date of January 2009. The balance as of May 2, 2008 is $ 9,426. Any future loans will be paid in a timely manner in agreement that has been established with the financial institution.

FINDING NUMBER 2006-003

Proper Public Purpose – Material Non-compliance - Finding for Recovery Repaid Under Audit

Ohio Revised Code Section 149.351 states, in part, that “all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions.”

The School expended public funds in the amount of $269.47 to various vendors through the use of a debit card in which supporting documentation for the expenditures were not maintained. As a result it could not be determined whether the expenditures were for proper public purpose. The Board did not issue prior approval of these expenditures demonstrating what public purpose such expenditures served, nor did the Board have a policy addressing these types of expenditures.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money illegally expended is hereby issued against Cynthia Frazier, Chief Executive Director, in the amount of $269.47, and in favor of the Montessori Renaissance Experience’s Operating Fund.

We recommend the School ensure proper supporting documentation is retained to evidence all expenditures made. Such documentation should be received and approved by those with appropriate authority prior to expenditure and should be maintained along with the expenditures to evidence the details of the goods or services purchased.

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

FINDING NUMBER 2006-003 (Continued)

We further recommend the Board pass a comprehensive proper public purpose policy that provides guidance and direction to staff and directors as to what expenditures are viewed as a proper public purpose that accomplish the goals and mission of the School. Such a policy should entail:

- The permissiveness of various expenditure types or classifications to the School as a whole;
- Dollar limitations on the expenditure of funds for certain expenditure types or classifications;
- Restrictions on expenditures for specific types of School programs or activities;
- The allowability of certain expenditure types or classifications in regard to federal programs;
- Designation regarding the appropriate uses of, allowable types of, dollar limitations to, and types of documentation that must be maintained for student and teacher incentives.

On March 28, 2008, the School deposited a check from Cynthia Frazier in the amount of $269.47 into the general operating account. On May 9, 2008 supporting documentation was provided for $ 47 dollars of the original $ 269.47 finding amount.

Officials' Response:

The Governing Board's Finance Committee has monthly meetings and reviews and approves all monthly expenditures. The Board has approved the CEO to make purchases up to $ 5,000. Any purchase over that amount has to have Board approval. The School has a process in place that will insure all expenditures have been accounted for. The Treasurer is working with the CEO and staff on submitting formal request that needs CEO approval before purchasing. The Governing Board has access to review all financial statements through Treasury Terminal Services 24 hours a day, as well as access to on-line banking.

FINDING NUMBER 2006-004

Financial Adjustments – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Treasurer of the School and the Board of Governors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The School made 38 audit adjustments and reclassifications to the June 30, 2006 financial statements. These adjustments ranged from increasing interest expenses in the amount of $937 to increasing salaries and benefits expenses in the amount of $94,042.

The Treasurer and Board of Governors should review the adjustments and reclassifications and ensure that similar errors are not reported on financial statements in subsequent years.

Official's Response:

The support of the CPA firm throughout the year will assist with insuring records are accurate. The Treasurer has the assistance of the CPA firm as needed.

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-005

Cash Collection Procedures and Policies – Significant Deficiency

The School maintains duplicate receipt books which contain pre-numbered receipts. However, the School did not complete duplicate receipts for all cash collections made throughout fiscal year 2006. In addition, duplicate receipts were issued out of sequence. The School currently does not consistently match the duplicate receipts issued to cash collections deposited and recorded in the accounting records. The School has not issued any formal policies governing cash collections by School personnel.

Failure to maintain duplicate pre-numbered receipts and to match these receipts to postings in the accounting records could result in misappropriation of cash receipts, as well as, more than inconsequential of transactions on the financial report.

We recommend the School issue a formal policy to govern cash collections made by School personnel to help provide assurance over completeness and accuracy of cash receipts. This policy, at a minimum, should include procedures whereby all receipts collected are issued duplicate pre-numbered receipts. These receipts should then be matched to the related deposit and entry into the accounting records. We also recommend that management develop procedures to monitor compliance with the above policy on cash collections.

Officials' Response:

The majority of School revenue is received via State warrants, which are electronically deposited into the School's operating account. All other collections are documented on official bank duplicate deposit slips and are separated according to specific fund source i.e. lunch, fieldtrips, etc. The School will record all daily cash in the duplicate receipt book with description and final notation by CEO. The Treasurer will receive copies reviewing accountability for all numbers accounted for. This information will be included in monthly financial reporting to the Board.

FINDING NUMBER 2006-006

Treasurer's Licensing Requirement -Material Non-Compliance

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

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

FINDING NUMBER 2006-006 (Continued)

Treasurer's Licensing Requirement -Material Non-Compliance (Continued)

Prior to assuming the duties of fiscal officer, the fiscal officer designated under this section shall be licensed under Ohio Revised Code § 3301.074 or shall complete not less than sixteen hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under Ohio Revised Code § 3301.074 [3301.07.4] shall complete an additional twenty-four hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school within one year after assuming the duties of fiscal officer of the school. However, any such classes, courses, or workshops in excess of sixteen hours completed by the fiscal officer prior to assuming the duties of fiscal officer shall count toward the additional twenty-four hours of continuing education required under this section. In each subsequent year, any fiscal officer who is not licensed under Ohio Revised Code § 3301.074 shall complete eight hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school.

The Chief Executive Officer (CEO) is not licensed to perform treasurer duties in the State of Ohio. However, the CEO signed 194 checks out of 295 total checks issued from the School's general account during fiscal year 2006. These checks were not approved or signed by the treasurer at any time; however, supporting documentation was maintained for each expenditure.

The School should follow the Ohio Revised Code regarding the licensing of the school treasurer.

Officials' Response:

The CEO worked consistently under the direction of the School Treasurer. Documentation has been supplied to the Audit Team by CEO supporting request made by Treasurer for checks to be written to State Agencies such as STRS and SERS and employees for payroll purposes in an effort to expedite payments and reduce the impact of penalties. The Treasurer was often times offsite and out of the City. During such time as it was determined that the CEO was needed to assist the Treasurer, Board members have been informed through formal communication, copied on e-mails and it has been documented in the minutes. Currently, all checks written out of the operating account are signed by both the CEO and Treasurer**.**

FINDING NUMBER 2006-007

Bank Reconciliations – Significant Deficiency/Material Weakness

Reconciling cash is one of the most important controls instituted by management to assure the completeness and accuracy of cash transactions reflected in the financial statements. Monthly cash reconciliations and investigating unusual reconciling items should be performed by all entities regardless of their size or the number of financial transactions processed. By doing so, the entity can gain assurance as to the completeness and accuracy of the accounting records. Failure to prepare or monitor reconciliations could result in errors and omissions to occur and not be detected by management in a timely manner.

Bank reconciliations for each month of fiscal year 2006 were not completed until February 5, 2007

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

FINDING NUMBER 2006-007 (Continued)

Bank Reconciliations – Significant Deficiency/Material Weakness (Continued)

We recommend that the School develop and implement procedures to ensure the timely completion of monthly bank reconciliations. The School should complete a bank reconciliation that reconciles the depository balances to the School's book balance. These bank reconciliations should be performed monthly and in a timely manner to prevent undetected errors. Additionally any reconciling items should be identified and be disposed of in a timely manner.

Officials' Response:

Currently, the School's bank accounts are reconciled on a regular basis. All reconciliations are reviewed with the Finance Committee and Governing Boards at monthly meetings. Reconciled statements are included in bi-monthly reports to the Sponsor.

FINDING NUMBER 2006-008

Eligibility for Free and Reduced Lunches – Material Non-Compliance/Significant Deficiency

7 C.F.R. Sections 245.2, 245.3, 245.6 & 42 U.S.C. Sections 1758(b)(1), 1766(c)(4), 1772(a)(6), 1773(e) provide, in part, children from households with incomes at or below 130 percent of the Federal poverty level are eligible to receive meals or milk free under the School Nutrition Programs. Children from households with incomes above 130 percent but at or below 185 percent of the Federal poverty level are eligible to receive reduced price meals. Persons from households with incomes exceeding 185 percent of the poverty level pay the full price.

The School did not maintain free and reduce lunch applications for fiscal year 2006. The School receives Federal revenues based upon the number of free and reduced lunches served. If this audit had been subject to Federal Circular A-133, a questioned cost in the amount of $27,421 would have been issued.

We recommend the School maintain all free and reduced applications.

Officials' Response:

The School has maintained all yearly records. While certain information was not readily available during the course of the audit, the school anticipates providing the applications required. All Student applications, as well as other school files, will be maintained in a secure environment.

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

FINDING NUMBER 2006-009

State Income tax withheld – Material Non- Compliance/Significant Deficiency

Ohio Rev. Code Section 5747.06 requires every employer, including the state and its political subdivision making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount such compensation included in his adjusted gross income during the calendar year.

The School did not remit the State income tax withheld from employees to the State of Ohio for the first four months of fiscal year 2006. The withholdings are accounted for on the School's accounting records; however they have not been remitted as of May 2, 2008 . The financial statements have been adjusted in the amount of $2,812 to reflect the unpaid liability. The liability is part of the Intergovernmental Payable on the statement of net assets.

The School has entered into an agreement with the Ohio Department of Taxation to repay any and all delinquent taxes.

We recommend the School remit State income tax in a timely manner. We also recommend the School adhere to the repayment agreement with the Ohio Department of Taxation to avoid any additional penalties.

Officials' Response:

Per the documentation provided on May 7, 2008, 2004-2005 withholding taxes are on a payment plan with the State of Ohio. There are no other outstanding liabilities, interest or penalties.

FINDING NUMBER 2006-010

Federal Income tax withheld – Material Non-Compliance/Significant Deficiency

26 U.S.C. Section 3402 requires an employer to deduct and withhold federal income tax from the wages of School employees. Circular E of the Internal Revenue Service Publication 15 (revised January 1986) requires that a Form W-4 (exemptions) for federal income tax deductions be filed for each employee. If a Form W-4 is not filed by the employee, deductions are to be made as single with no dependents.

The School did not remit the Federal income tax withheld from employees to the Internal Revenue Service for the first four months of fiscal year 2006. The financial statements have been adjusted in the amount of $18,965 to reflect the unpaid liability. The liability is part of the Intergovernmental payable on the statement of net assets.

The School entered into an agreement with the Internal Revenue Service to repay all delinquent taxes. As of May 2, 2008, the School is now current on all Federal income taxes.

We recommend the School remit Federal income taxes in a timely manner.

Officials' Response:

Per the documentation provided on May 7, 2008, there are no current outstanding liabilities, interest or penalties.

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

FINDING NUMBER 2006-011

Local tax withheld – Material Non-Compliance/Significant Deficiency

Ohio Rev. Code Section 9.42 requires that any political subdivision or instrumentality deduct from the wages or salaries of public employees the percentage of municipal income tax applicable.

The School did not remit local tax withheld from employees to the City of Columbus for the first four months of fiscal year 2006. The withholdings are accounted for on the School's accounting records; however, they have not been remitted as of May 2, 2008. The financial statements have been adjusted in the amount of $1,583 to reflect the unpaid liability. The liability is part of the Intergovernmental payable on the statement of net assets.

We recommend the School remit Local income taxes in a timely manner. We also recommend the School contact the City of Columbus to establish a repayment agreement for all delinquent taxes.

Officials' Response:

Per the documentation provided on May 7, 2008, there are no current outstanding liabilities, interest or penalties.

THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN 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; ***Explain***
2005-001	The School did not complete duplicate receipts for all cash collections made throughout the year**.**	No	Re-issued as Finding 2006-005
2005-002	The Chief Executive Officer (CEO) is not licensed to perform treasurer duties in the State of Ohio. However, the CEO signed 96 grant checks out of 658 total checks issued from the School's grant and general account. These grant checks were not approved or signed by the treasurer at any time.	No	Re-issued as Finding 2006-006
2005-003	The School did not document any evidence that the goods or services were received prior to the CEO submitting the invoices to Treasurer for payment. In addition, the CEO does not currently match the check stub or a copy of the check to the related invoice after they have been inputted into the accounting system for payment.	No	Partially Corrected. Re-issued in Management Letter.
2005-004	The School did not prepare a complete set of GAAP basic financial statements until July 17, 2006, twelve and half months after the year ending June, 30, 2005. After audit procedures were performed, the financial statements required twelve audit adjustments and several errors were noted in the footnotes.	No	Re-issued as Finding 2006-001

Mary Taylor, CPA
Auditor of State

THE MONTESSORI RENAISSANCE EXPERIENCE

FRANKLIN COUNTY

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 15, 2008

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