NATION BUILDING AUTO REPAIR AND TECHNICAL ACADEMY
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

Mary Taylor, CPA
Auditor of State

NATION BUILDING, AUTO REPAIR, AND TECHNICAL ACADEMY
HAMILTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Nation Building Auto Repair and Technical Academy
Hamilton County
C/O Lucas County Educational Service Center
2275 Collingwood Boulevard
Toledo, Ohio 43620

To the Board of Directors:

We were engaged to audit the accompanying basic financial statements of Nation Building Auto Repair and Technical Academy, Hamilton County, Ohio (the Academy), as of June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Academy's management.

Management has not provided a written representation letter, which is required by auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The legal counsel of the Academy resigned on June 30, 2005 due to nonpayment and differences with the Academy. On June 18, 2009 legal counsel provided a response to our request for outstanding litigation, claims and assessments. In that letter it was disclosed that they were aware that there were outstanding claims that existed at Academy's closure and likelihood there may be litigation after their resignation as legal counsel. They were unable to provide details however of the claims or litigation. We were not provided any other legal counsel's representation. Due to the attorney being unable to respond regarding uncertainties at the Academy we are unable to obtain sufficient evidence regarding the completeness of unasserted claims and possible liabilities that existed at the Academy as of June 30, 2005.

The Academy's financial statements did not include all the financial activity for the year ending June 30, 2005. The financial statements dated August 29, 2004 through June 30, 2005, only included financial activity for the period December 15, 2004 through June 30, 2005. The Academy did not provide sufficient evidence to support the completeness of the Assets, Liabilities, beginning and ending Net Assets, Revenues, Expenses and Disclosures as presented on the financial statements of the Academy. In addition, we were unable to obtain sufficient evidence to support the July 1, 2004 net assets for the Academy or the financial activity of the Academy prior to December 14, 2004 not included in the accompanying financial statements. We were also unable to gain these assurances through other audit procedures.

The Academy ceased operations on June 30, 2005, and was officially dissolved on December 2, 2005. Due to a lack of sufficient evidence, we were unable to determine if significant financial activity occurred during the period from July 1, 2005 through December 2, 2005.

Due to the significance of the matters discussed in the preceding paragraphs, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on the basic financial statements of Nation Building Auto Repair and Technical Academy, Hamilton County, Ohio as of June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the Academy'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.

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 and do not express an opinion on this information.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 23, 2009

The discussion and analysis of Nation Building, Auto Repair, and Technical Academy (the Academy) financial performance provides an overall view of the Academy 's financial activities for the period August 29, 2004 to June 30, 2005, the initial period of operation. The intent of this discussion and analysis is to look at the Academy 's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy 's financial performance.

Financial Highlights

- Total Assets were $19,463.
- Total Liabilities were $5,402.
- Total Net Assets were $ 14,061.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (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 statement of cash flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2005?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy 's net assets at June 30, 2005. As this is the initial period of operation, no comparison is made to prior year information:

Table 1
Net Assets

Assets	
Current Assets	$ 3,499
Capital Assets, Net	15,964
Total Assets	$ 19,463
Liabilities	
Current Liabilities	$ 5,402
Total Liabilities	5,402
Net Assets	
Invested in Capital Assets	15,964
Unrestricted	(1,903)
Total Net Assets	$ 14,061

The Statement of Revenues, Expenses, and Changes in Net Assets shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by State and other funding. Again, since this is the initial period of operation, no comparison is made to the prior year.

Table 2
Change in Net Assets

Operating Revenues:	
Foundation Payments	$ 291,010
Total Operating Revenues	291,010
Operating Expenses:	
Salaries	163,336
Fringe Benefits	30,493
Purchased Services	66,578
Materials and Supplies	5,940
Depreciation	694
Other Operating Expenses	9,908
Total Operating Expenses	276,949
Change in Net Assets	$ 14,061

State Foundation Payments was the primary support for the Academy representing 100 percent of the operating revenue. Salaries and Fringe Benefits comprise 70.0 percent of operating expenses.

The Academy had total revenues of $291,010, and total expenses of $276,949. The change in net assets for the period was an increase of $14,061. This increase is a result of capitalization of equipment.

Capital Assets

At the end of period June 30, 2005, the Academy had $15,964 (net of $694 in accumulated depreciation) invested in furniture and equipment. Table 3 shows balances at June 30, 2005:

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

Furniture, Fixtures, and Equipment	$ 15,964
Totals	$ 15,964

For more information on capital assets, see note 4 to the basic financial statements.

Current Financial Issues

The inclusion of the Lucas County Educational Service Center as the Academy 's fiscal agent greatly improves its internal control structure and the quality of its financial records. During the period August 29, 2004 to June 30, 2005, there were approximately 52 students enrolled in the Academy. The Academy receives its finances from state aid. Per pupil aid for this period amounted to $5,058 per student.

Contacting the Academy 's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy 's finances and to show the Academy 's accountability for the money it receives. If you have questions about this report or need additional information contact Pastor Muka Muyaya, Administrator of the Academy, 7030 Reading Road, Suite 420, Cincinnati, Ohio or e-mail at pastormuka@fuse.net.

Nation Building, Auto Repair, and Technical Academy
Statement of Net Assets
As of June 30, 2005

~~Assets:~~	
Current Assets:	
Cash and Cash Equivalents	$ 866
Prepaid Items	2,633
Total Current Assets	3,499
Noncurrent Assets:	
Capital Assets, Net	15,964
Total Noncurrent Assets	15,964
Total Assets	$ 19,463
~~Liabilities:~~	
Current Liabilities:	
Accounts Payable	$ 201
Intergovernmental Payable	5,201
Total Current Liabilities	5,402
~~Net Assets:~~	
Invested in Capital Assets, Net of Related Debt	15,964
Unrestricted	(1,903)
Total Net Assets	$ 14,061

See Accompanying Notes to the Basic Financial Statements

Nation Building, Auto Repair, and Technical Academy
Statement of Revenues, Expenses and Changes in Net Assets
For the Period August 29, 2004 to June 30, 2005

Operating Revenues:	
Foundation Payments	$ 291,010
Total Operating Revenues	291,010
Operating Expenses:	
Salaries	163,336
Fringe Benefits	30,493
Purchased Services	66,578
Materials and Supplies	5,940
Depreciation	694
Other Operating Expense	9,908
Total Operating Expenses	276,949
Change in Net Assets	14,061
Net Assets at Beginning of Year	-
Net Assets at End of Year	$ 14,061

See Accompanying Notes to the Basic Financial Statements

Nation Building, Auto Repair, and Technical Academy
Statement of Cash Flows
For the Period August 29, 2004 to June 30, 2005

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 291,010
Cash Payments to Suppliers for Goods and Services	(72,317)
Cash Payments to Employees for Services	(163,336)
Cash Payments for Employee Benefits	(27,925)
Cash Payments for Other Operating Uses	(9,908)
Net Cash Provided by (Used for) Operating Activities	17,524
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Notes	48,000
Principal Payments on Notes	(48,000)
Payments for Capital Acquisitions	(16,658)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(16,658)
Net Increase (Decrease) in Cash and Cash Equivalents	866
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	$ 866

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	Amounts
Operating Income (Loss)	$ 14,061
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	694
Changes in Assets and Liabilities:	
(Increase)/Decrease in Prepaid Items	(2,633)
Increase/(Decrease) in Accounts Payable	201
Increase/(Decrease) in Intergovernmental Payable	5,201
Total Adjustments	3,463
Net Cash Provided by (Used For) Operating Activities	$ 17,524

See Accompanying Notes to the Basic Financial Statements

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1. DESCRIPTION OF THE REPORTING ENTITY

Nation Building, Auto Repair, and Technical Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy provides academic and technical development along with on-the-job experiences to prepare them for the workforce in the following technologies: automotive management and repair, barber, cosmetology and personal care, medical paraprofessional (health care) and nursing. The Academy, 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 Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy. This is the initial period of operations.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years.. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of the Sponsor shall serve as the Chief Fiscal Officer of the Academy (See Note 11).

The Academy operates under the direction of a Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy 's one instructional/support facility staffed by 2 non-certificated, 2 certificated full time teaching personnel who provide services to 52 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy 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 more significant of the Academy 's accounting policies are described below.

A. Basis of Presentation

The Academy '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. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. 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 Academy 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 Academy 's financial statements are prepared using the accrual basis of accounting.

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

Expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy ’s fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy ’s name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

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

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, Disadvantaged Pupil Impact Aid, and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded 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.

H. Capital Assets

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 market values as of the date received. The Academy does not maintain a capitalization policy and 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. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Furniture, Fixtures and Equipment	5

I. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Academy has no debt.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. 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.

3. DEPOSITS

For the period ending June 30, 2005, the carrying amount of the Academy 's deposits was $866 and the bank balance was $8,877. Of the bank balance, $8,877 was covered by federal depository insurance.

4. CAPITAL ASSETS

Capital asset activity for the period August 29, 2004 to June 30, 2005, was as follows:

	Balance 08/29/2004	Additions	Deductions	Balance 06/30/2005
Capital Assets:				
Furniture, Fixtures and Equipment	$ -	$ 16,658	$ -	$ 16,658
Totals Capital Assets	-	16,658	-	16,658
Less Accumulated Depreciation:				
Furnitures, Fixtures, and Equipment	-	(694)	-	(694)
Total Accumulated Depreciation	-	(694)	-	(694)
Capital Assets, Net	$ -	$ 15,964	$ -	$ 15,964

5. OPERATING LEASE

The School has renewed an operating lease with Allen Temple Real Estate to lease a school facility. Payments made totaled $28,002 for the period August 29, 2004 to June 30, 2005.

6. RISK MANAGEMENT

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2005, the Academy was not insured.

B. Workers' Compensation

The Academy pays the State Worker's 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.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

7. DEFINED BENEFIT PENSION PLANS (Continued)

For the period August 29, 2004 to June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute an actuarially determined rate. The employer rate for period ending June 30, 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Academy 's required contribution for pension obligations to SERS for the period ending June 30, 2005 was $7,619; $308 represents an overpayment to SERS for the period ending June 30, 2005. The overpayment reflected as a prepaid item on the Statement of Net Assets.

B. State Teachers Retirement Systems

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

7. DEFINED BENEFIT PENSION PLANS (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio' public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

7. DEFINED BENEFIT PENSION PLANS (Continued)

For the period August 29, 2004 to June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The Academy 's required contribution for pension obligations for the period August 29, 2004 to June 30, 2005 was $11,863; $538 represents the unpaid contribution for the period ended June 30, 2005. The balance outstanding is reflected as an intergovernmental payable.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2005 Comprehensive Annual Financial Report will be available after January 1, 2006. Additional information or copies of STRS Ohio's 2005 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, 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. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43 percent. 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 2005, the minimum pay was established at $27,400. 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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available), were $223,443,805, and the target level was $335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits of $300.8 million. The number of recipients currently receiving health care benefits is approximately 62,000.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 3.43 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the Academy, the amount to fund health care benefits, including surcharge, equaled $5,681 for the period August 29, 2004 to June 30, 2005.

8. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated 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.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $913 for the period August 29, 2004 to June 30, 2005.

For the fiscal year ended June 30, 2004 (the latest information available) net health care costs paid by STRS Ohio were $268,739,000. There were 111,853 eligible benefit recipients.

9. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

10. CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2005.

10. CONTINGENCIES (Continued)

B. School Funding

The Ohio Department of Education conducts reviews 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 to the State, upon which state foundation funding is calculated. ODE has not yet conducted a review of the Academy 's 2005 student enrollment data and FTE calculations. For 2005, the Academy does not anticipate revenue adjustments based on the results of any such review.

C. Litigation

A suit was filed in Franklin County common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard on August 298th, 2003. On November 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. No oral argument date has been set. The effect of this suit, if any, on BOSS is not presently determinable.

11. FISCAL AGENT

The Academy entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Lucas County Educational Service Center (the Sponsor) to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. Total contract payments of $5,627 were paid during the year.
The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and

11. FISCAL AGENT (Continued)

- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

12. PURCHASED SERVICES

For the Period August 29, 2004 to June 30, 2005, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	$	6,300
Property Services		38,914
Travel		645
Communications		3,683
Utilities		16,936
Contracted Craft or Trad Service		100
Total Purchased Services	$	66,578

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

Nation Building Auto Repair and Technical Academy
Hamilton County
C/O Lucas County Educational Service Center
2275 Collingwood Boulevard
Toledo, Ohio 43620

To the Board of Directors:

We were engaged to audit the basic financial statements of the Nation Building Auto Repair and Technical Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2005, and have issued our report thereon dated December 23, 2009 in which we note that we did not obtain written representations from the Academy or the Academy's legal counsel. We were unable to obtain sufficient evidence regarding the completeness of unasserted claims or liabilities that should be disclosed on the financial statements. We also noted the financial statements did not include all financial activity for the year ended June 30, 2005 and that we were unable to obtain sufficient evidence to support completeness of the Assets, Liabilities, beginning and ending Net Assets, Revenues, Expenses and Disclosures as presented on the financial statements, the July 1, 2004 net assets for the Academy or the financial activity of the Academy prior to December 14, 2004 not included in the accompanying financial statements or if significant financial activity occurred during the period from July 1, 2005 through December 2, 2005. Therefore, we did not express an opinion on the basic financial statements. In addition, our report indicated the Academy ceased operations on June 30, 2005, and officially dissolved on December 2, 2005, and the audit cost have not been paid in full.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Academy'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 Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy'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 Academy'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 Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider findings 2005-001, 2005-002, 2005-007, 2005-008 through 2005-010 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2005-001, 2005-002, 2005-007, 2005-008, and 2005-010 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated December 23, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Academy'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 2005-001, 2005-003 through 2005-007, and 2005-009 through 2005-014.

We also noted certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated December 23, 2009.

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

We intend this report solely for the information and use of management, Board of Directors, and Lucas County Education Service Center. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 23, 2009

SCHEDULE OF FINDINGS
JUNE 30, 2005

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

FINDING NUMBER 2005-001

Noncompliance/Material Weakness

Section II, BB of the Community School Contract between Lucas County Educational Service Center (LCESC) and the Nation Building Auto Repair and Technical Academy (NBARTA) states that the School's financial records will be maintained in the same manner as required by and pursuant to the rules of the Auditor of the State of Ohio.

Ohio Rev. Code, Section 3314.03(8), requires financial records of the community school to be maintained in the same manner as are financial records of school districts, pursuant to rules of the auditor of state, and the audits shall be conducted in accordance with section 117.10 of the Revised Code.

In addition, **Ohio Rev. Code, Section 3314.17,** requires community schools to follow the requirements of Ohio Rev. Code Section 3301.0714. This section provides for the Ohio Department of Education (ODE) to establish guidelines for a statewide Education Management Information System (EMIS). In response to the legislative mandate, ODE adopted the rule for school districts requiring the development and implementation of a statewide EMIS. Each school district must periodically collect and report the required information to the ODE, as required by the EMIS manual. Chapter 4, Financial Data section of the EMIS manual prescribes that each school district maintain its records on the Uniform School Accounting System (USAS) structure which involves an account number with distinct dimensions. To meet the requirements of R.C. Section 3301.0714, it will be necessary for school districts to maintain their financial records at specified minimum levels of detail for each dimension.

For the period July 1, 2004 through December 14, 2004 NBARTA had an individual serving as its Treasurer and they did not maintain its financial records in accordance with the requirement of the USAS system. All financial activity was recorded in a QuickBooks cash journal without receipt or expenditure account codes and all activity was comingled in a single fund.

On November 16, 2004 NBARTA signed a contract with the LCESC to serve as their fiscal agent. The LCESC recorded NBARTA financial transactions as fiscal agent beginning December 15, 2004. These transactions were maintained according to USAS.

NBARTA's management has available to it numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. Management should ensure that all responsible parties have access to this literature and receive the applicable training.

We recommend NBARTA review the requirements of the Ohio Revised Code and EMIS manual which mandate the proper maintenance of accounting records.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2005-002

Material Weakness

Governmental Accounting and Financial Reporting Standards Codification Standards (Codification) Section 2300.111 states governments should provide detail in the notes to the financial statements about capital assets and long-term liabilities, and **Governmental Accounting and Financial Reporting Standards Codification Standards Section 2300.118** states governments should provide detail in the notes to the financial statements about short-term debt activity during the year, even if no short-term debt is outstanding at year-end.

Governmental Accounting and Financial Reporting Standards Codification Standards Section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. They are intended to communicate information that is necessary and that cannot be included in the financial statements themselves. The notes provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. The notes are an integral part of the financial statements and are intended to be read with the financial statements.

The more significant notes listed in the Codification for which NBARTA did not and should have been included as an integral part of the financial statements:

- Cash deposits with financial institutions;
- Significant contingent liabilities;
- Significant effects of subsequent events;
- Debt service requirements to maturity; and
- Required disclosures about long-term liabilities;

NBARTA also did not present other notes to the financial statements that were essential to the fair presentation of the financial statements for close-out procedures/requirements related to the closure of NBARTA, related party transactions, and short term loans that were made and repaid during the year. Additionally, the notes presented for cash deposits with financial institutions and purchased services were incomplete as they only present information recorded by the LCESC for the period December 15, 2004 through June 30, 2005 when they were fiscal agent, as noted in Finding 2005-001.

The notes to the financial statements lacked the required disclosures defined above in the Codification. Additional disclosures should have been made, to communicate information essential for fair presentation of the basic financial statements not displayed on the face of the financial statements.

In addition, NBARTA's financial statements did not include all activity and related accruals for the year ended June 30, 2005. As noted above, the financial statements and notes to the financial statements presented for audit only reflect financial activity of NBARTA from December 15, 2004 through June 30, 2005. The financial statements presented for audit by the LCESC as fiscal agent are dated for the period of August 29, 2004 to June 30, 2005. However, review of the financial records presented for audit revealed the financial statements only included financial activity during the time period for which LCESC was NBARTA's fiscal agent. The financial activity from July 1, 2004 through December 14, 2004 was not included in the statements or notes. Our review of subpoenaed bank statements documented approximately $163,000 in cash receipts, $181,969 in cash disbursements, and beginning equity of $21,390 that is not reflected in the financial statements or notes to the financial statements, nor is there evidence to support the completeness of the amounts omitted from the financial statements.

FINDING NUMBER 2005-002
(Continued)

Furthermore, based on the information that we were able to obtain for NBARTA's financial statements presented for audit, we also noted the following reporting deficiencies:

- We noted four loans were issued during the audit period. Based on this information the following known debt activity is not recorded on the financial statements or disclosed in the footnotes:

Name	July 1, 2004 Balance	New Loans/Debt Issued	Payments (Principal Only)	June 30, 2005 Balance
NBI Ministry	$0	$4,000	$4,000	$0
Enbenezer Arthur	0	9,000	3,350	5,650
Pauline Mona Tshiebe Kayoko	0	25,000	2,000	23,000
Lucas County ESC	0	10,000	10,000	0
Total	$0	$48,000	$19,350	$28,650

- Based on the review of the financial records we noted a liability for unpaid legal fees of approximately $10,757 not recorded on the financial statements.

It is vital that NBARTA develop and present financial statements which are comprised of all required financial statements and disclosures. Without these disclosures the financial statements are incomplete, could be misinterpreted, and improper conclusions could be reached.

Without complete evidential matter we were unable to determine the complete and accurate financial statement presentation of the activity for the period of July 1, 2004 through December 14, 2004, and the Assets, Liabilities, Net Assets as of June 30, 2005 or Disclosures.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2005-003

Finding for Recovery

Ohio Revised Code, Section 3314.03(A)(11)(d), requires that each contract entered between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Revised Code.

Ohio Revised Code, 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."

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

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

FINDING NUMBER 2005-003
(Continued)

During the FY 2005 audit during our review of expenditures for (NBARTA) we noted three checks that were issued at the request of Former Director Muka Muyaya as expenditures for individual expenses and equipment. However, there were no detailed invoices or receipts provided to support these expenditures as follows:

Check Number	Check Date	Payee	Amount
1075	08/31/04	Minister James Muha	480
1136	03/09/05	Pastor Muka Muyaya	100
1030	10/18/02	Pasto Mukas	20
Total			$600

Without appropriate documentation, it is not possible to determine if the expenditure was made for a proper public purpose. Former Director Muka Muyaya and Former Treasurer Edward Secker were responsible for the approval of expenditures and the signatory on NBARTA's bank accounts.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Pastor Muka Muyaya, former Director, in the amount of $100, and in favor of Nation Building Auto Repair and Technical Academy.

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

Therefore, because former Director Muka Muyaya requested the payments he is jointly and severally liable in the amount of $500, and in favor of the Nation Building Auto Repair and Technical Academy. Additionally, because Former Treasurer Edward Seeker signed or authorized the payments, he is jointly and severally liable in the amount of $600, and in favor of the Nation Building Auto Repair and Technical Academy.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2005-004

Finding for Recovery

Ohio Revised Code, Section 3314.03(A)(11)(d), requires that each contract entered between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Revised Code.

Ohio Revised Code, 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."

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

FINDING NUMBER 2005-004
(Continued)

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

During the FY 2005 audit our review of expenditures for the Nation Auto Repair and Technical Academy (NBARTA) we noted four checks that were issued at the request of Director Muka Muyaya as reimbursements for numerous individual expenses. However, there were no detailed invoices or receipts provided to support the list of items submitted for reimbursements as follows:

Check Number	Check Date	Payee	Amount
5054	04/15/05	NBI Ministry	$1,280
5066	05/31/05	NBI Ministry	1,080
5074	06/20/05	NBI Ministry	182
5075	06/20/05	Pastor Muka Muyaya	1,888
Total			$4,430

Without appropriate documentation, it is not possible to determine if the expenditure was made for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Pastor Muka Muyaya, former Director, in the amount of $1,888, and NBI Ministry in the amount of $2,542 and in favor of Nation Building Auto Repair and Technical Academy.

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

Therefore, because former Director Muka Muyaya requested the payments he is jointly and severally liable in the amount of $2,542, and in favor of the Nation Building Auto Repair and Technical Academy. Additionally, because Treasurer Richard Cox signed or authorized the payments, he and his bonding company, the Travelers Insurance Company, are jointly and severally liable in the amount of $4,430, and in favor of the Nation Building Auto Repair and Technical Academy.

Officials' Response:

We received the following response from Lucas County Educational Service Center (LCESC).

RC 3314.07 (E) provides: "A sponsor of a community school and the officers, directors, or employees of such a sponsor are not liable in damages in a tort or other civil action for harm allegedly arising from either of the following:

(1) A failure of the community school or any of its officers, directors, or employees to perform any statutory or common law duty or responsibility or any other legal obligation;

(2) Any action or omission of the community school or any of its officers, directors, directors, or employees that result in harm."

FINDING NUMBER 2005-004
(Continued)

We feel this provision insulates Richard Cox and LCESC from liability under the finding for recovery for $4,430. The grounds for the finding are at least arguably the result of Muyaya and the school's failure to provide documentation and their failure to comply with its obligation to Richard Cox/LCESC under the fiscal services agreement.

Auditor of State Conclusion:

Richard Cox is named in the Finding for Recovery for authorizing and issuing the payments while serving as the designated fiscal officer for the school, as required by Ohio Rev. Code §3314.011. The relief provided in Ohio Rev. Code §3314.07(E) only extends to a sponsor and the officers, directors, or employees, serving as sponsor and performing the duties required of the sponsor. As the designated fiscal officer, Richard Cox performed duties separate and apart from those of a Sponsor, and therefore Ohio Rev. Code §3314.07(E) is inapplicable.

FINDING NUMBER 2005-005

Finding for Recovery

On July 16, 2002, NBARTA issued a check to Cincinnati Commercial Realtors in the amount of $5,000 as a down payment to purchase a building located at 1910 Race Street, Cincinnati, Ohio. NBARTA never completed the purchase of this property. Cincinnati Commercial Realtors refunded the $5,000 check to NBARTA on April 8, 2004. The refund check was addressed to NBARTA c/o Pastor Muka. The refund check was cashed, however, there is no documentation indicating the check was deposited in NBARTA's bank account. Based on a copy of the cancelled check that Cincinnati Commercial Realtors provided it appears that the refunded check was endorsed by former Director Muka Muyaya, and deposited into his personal bank account.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money collected and unaccounted for is hereby issued against former Director Muka Muyaya, in the amount of $5,000 and in favor of Nation Building Auto Repair and Technical Academy.

We did not receive a response from Officials to the finding.

FINDING NUMBER 2005-006

Noncompliance

Ohio Revised Code, Section 3314.03(A)(6)(b), requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from NBARTA if the student without a legitimate excuse fails to participate in 105 consecutive hours of the learning opportunities offered to the student.

Ohio Revised Code, Section 3314.03(A)(11)(d), requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with **Section 149.43 of the Ohio Rev. Code.**

Additionally, **Ohio Revised Code, Section 149.43(B),** indicates all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices shall maintain public records in such a manner that they can be made available for inspection.

FINDING NUMBER 2005-006
(Continued)

NBARTA's management is responsible for accurately entering and maintaining student information in the Ohio Department of Education (ODE) Community School Average Daily Membership (CSADM) database. The student files maintained by NBARTA should substantiate student enrollment and withdrawal dates. Additionally, the student files should be maintained with all the appropriate documentation to support the student's enrollment in NBARTA. Due to the lack of an attendance policy and student records not being properly maintained, additional procedures were performed to determine student attendance. We tested all 70 student files maintained at the resident district and the following exceptions were noted:

- 48 files or 69% did not contain a 1st quarter report card.
- 54 files or 77% did not contain a 2nd quarter report card.
- 53 files or 76% did not contain a 3rd quarter report card.
- 69 files or 99% did not contain a 4th quarter report card.
- 65 files or 93% did not contain a final report card.
- 55 files or 79% did not contain an enrollment form.
- 57 files or 81% did not contain a withdrawal form.
- 56 files or 80% did not contain a proof of residency.
- 67 files or 96% did not contain a transcript.
- 68 files or 97% did not contain EMIS information.

We contacted an ODE regional representative and obtained his site visit performed in March 2005 at NBARTA. From his review he found that there were students for which there were no birth certificates thus NBARTA should have received no funding. We were unable to obtain any other documentation from ODE, NBARTA and LCESC to substantiate which students were funded through state foundation payments and therefore were unable to determine if any overpayments that may have occurred.

Failure to accurately update the CSADM database to reflect actual students enrolled and in attendance at NBARTA could lead to funding overpayment from the Ohio Department of Education. We recommend NBARTA establish control procedures to monitor and update the CSADM database to accurately reflect all students enrolled and in attendance at NBARTA. We recommend NBARTA establish control procedures to ensure all student files and attendance records accurately reflect the student grades, attendance, and withdrawal/enrollment information.

This matter will be referred to the Ohio Department of Education.

Officials' Response:

We received the following response from LCESC:

LCESC, as part of its oversight activity, issued a Notice of Probation on March 23, 2005 which addressed a number of issues including expenses exceeding revenues, missing payroll, and failure to implement a technical program identified in the school's contract.

FINDING NUMBER 2005-006
(Continued)

Additionally, on May 17, 2005 a LCESC team conducted a site visit at the school. The site visit identified a number of concerns. Specifically, a review of staff files indicated that items were missing from some records, including BCI's, teaching certificates, documentation of TB testing, verification of completion of child abuse and neglect training, and properly completed I-9 forms.

A random review of student files showed that a number were missing emergency medical information forms, birth certificates, immunization records, vision and hearing screenings, transcripts, and test results.

Based on the May 17, 2005 site visit and other documentation, the LCESC issued a Notice of Suspension on May 25, 2005 citing financial deficiencies, conducting prayer in a public school, and failure to employ certified teachers.

On December 2, 2005 LCECS terminated its contract with the school, citing failure to submit test results; fiscal management; failure to make payroll; and incurring a large debt. Also, cited were failure to submit approved technology and safety plans; lack of a written curriculum; lack of vocational labs, computers and adequate furniture. Additionally, the school failed to hire certified staff; failed to replace board members to ensure that the board had five (5) members at all times; substantial discrepancies between claimed enrollment and documented enrollment were identified; and there were incomplete records for staff and students.

FINDING NUMBER 2005-007

Noncompliance/Material Weakness

OMB Circular A-133, Subpart C, Section .300(a) states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.

2 C.F.R. 225 Appendix A Section (E) sets the guidelines for determining if a direct cost is considered to be allowable per the federal program. These guidelines state:

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.

2. Application. Typical direct costs chargeable to Federal awards are:

    a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.

    b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.

    c. Equipment and other approved capital expenditures.

    d. Travel expenses incurred specifically to carry out the award.

2 C.F.R. 225 Appendix A (C)(1)(j), provides "to be allowable under Federal awards, cost must meet the following general criteria:…be adequately documented."

34 C.F.R. 74.21(b)(2) also states that recipients' financial management systems shall provide the following: records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest."

FINDING NUMBER 2005-007
(Continued)

NBARTA posted all receipts and expenditures incurred during the year into one fund, including $150,000 in Charter School grant funding, CFDA # 84.282, and $463.16 in Special Ed. Grants to States, CFDA # 84.027, and did not identify which of the expenditures were related to the federal program. As a result of the comingling we were unable to determine if the Charter School grant money was expended for costs considered allowable under federal requirements. Comingling of funds can result in lack of monitoring grant activity for allowability and proper reporting and increases the risk of future questioned costs and potential loss of federal financial assistance. We recommend NBARTA segregate their federal funds on their financial records by utilizing the Uniform School Accounting System, and maintaining adequate documentation in support of all federal expenditures.

NBARTA is required to identify all expenditures that are specifically for the performance of Charter Schools grant services and determine if the expenditure is allowable per 2 C.F.R. 225 Appendix A before expending money from Charter School grant funds. Failure to properly identify allowable costs to the Charter Schools grant federal program may lead to monies having to be paid back to the federal program and/or having monies withheld from the federal program in the future.

Had this been a federal Single Audit the amounts mentioned above could have been questioned costs.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2005-008

Material Weakness

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

"Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting; effectiveness and efficiency of operations; compliance with applicable laws and regulations; and safeguarding of assets.

NBARTA lacks management oversight over their financial reporting. This lack of oversight is illustrated by the following:

- Bank reconciliations were not accurate or complete for the period under audit.

- For the period of July 1, 2004 through December 14, 2004, monthly treasurer reports were manually compiled by the Treasurer/Consultant with classifications of receipts and disbursements. However, when compared to the disbursements on the QuickBooks cash journal the monthly treasurer reports were incomplete and contained $56,968 less in disbursements. In addition no Treasurer reports were provided for October and November 2004.

- NBARTA did not utilize purchase orders for the period of July 1, 2004 through December 14, 2004. However, purchase orders were a required part of the purchasing process of the LCESC for the period of December 15, 2004 through June 30, 2005. For the period of December 15, 2004 through June 30, 2005, 70 out of 76 or 92 of purchases did not have certification prior to the obligation date.

FINDING NUMBER 2005-008
(Continued)

Although directed by a subpoena, management failed to provide financial and supporting documentation; consequently, we were unable to analyze, review, and inspect for completeness, verify the accuracy of, or determine the existence of evidence supporting NBARTA's financial records prior to December 14, 2004.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2005-009

Noncompliance/Significant Deficiency

Ohio Revised Code, Section 3314.03(A)(11)(d), requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code.

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

In addition, **Ohio Revised Code, Section 3314.03(A)(8),** requires that each contract entered into between a sponsor and the governing authority of a community school shall require the school to maintain financial records in the same manner as all public school districts in the State of Ohio.

NBARTA did not maintain proper supporting documentation for all expenditures. After numerous requests and an issued subpoena, detailed invoices were not provided for the period of July 1, 2002 through December 14, 2004 for 48 purchases (thirty-three percent) totaling $68,049. From December 14, 2004 through June 30, 2005 invoices were unavailable for 4 purchases (2 percent) totaling $10,961. We applied alternate audit procedures to determine if these expenditures were for a proper public purpose and other than the expenditures we are questioning in findings 2005-003 and 2005-004, the expenditures were deemed proper public purposes.

The lack of appropriate supporting documentation limits the ability to determine if the expenditure is for a proper public purpose.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2005-010

Noncompliance/Material Weakness

Ohio Revised Code, Section 3314.03(A)(11)(d), requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code.

FINDING NUMBER 2005-010
(Continued)

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

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Payroll

The following control weaknesses were noted in the internal control system for processing payroll:

- Approved contracts and Board of Directors approval for new hires and other payroll information were unavailable for the audit period. In addition, while salary tables were contained in the sponsor contract there was no documentation provided that indicated what rates applied to each of the employees of NBARTA, therefore we were unable to substantiate if employees were paid the correct amounts during the audit period or if a liability should have been accrued at June 30, 2005.

- Signed timesheets or payroll reports were unavailable for the period of July 1, 2002 through December 14, 2004. From December 14, 2004 through June 30, 2005 the period when LCESC processed payroll we found signed timesheets or payroll reports were unavailable for 2 out of 11 pay periods.

- Leave Accrual and Usage Records to test leave credited, used, accumulated leave paid and use of appropriate leave forms were not maintained.

- Leave balances were not tracked or maintained.

- NBARTA Treasurer’s Contract was unavailable to compare total compensation per the payroll register to the amount in the treasurer’s contract.

- Other employee information, i.e. retirement enrollment, income tax withholding forms, insurance enrollment forms, etc. were not provided for any employees of NBARTA.

- For the period of July 1, 2004 through December 14, 2004 NBARTA did not maintain a separate payroll ledger.

Receipts

NBARTA did not maintain proper supporting documentation for all receipts. After numerous request and directed by subpoena, no receipts or duplicate receipts were provided to support the revenue of NBARTA reported on the financial statements for the period December 15, 2004 to June 30, 2005 and those not reported on the financial statements for the period July 1, 2004 to December 14, 2004 indicating a control weaknesses in the internal control system for processing receipts.

FINDING NUMBER 2005-010
(Continued)

Financial Records

There were significant delays in receiving requested records. Records presented for audit were disorganized and incomplete. In several cases, the information requested was never located by management or received by the auditors. The lack of organized and complete accounting records decreased NBARTA's ability to monitor its financial position.

Due to these weaknesses, we were unable to gain assurance over the completeness, existence, accuracy, or rights of NBARTA's accrued payroll and related transactions, and all receipts and related receivables which contributed to the issuance of a disclaimed financial statement opinion.

In addition, the Academy ceased operations on June 30, 2005, and was officially dissolved on December 2, 2005. Due to a lack of sufficient evidence, we were unable to determine if significant financial activity occurred during the period from July 1, 2005 through December 2, 2005.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2005-011

Noncompliance

Ohio Revised Code, Section 3314.03(A)(11)(d), states, in part, that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with R.C. 5705.391.

NBARTA's sponsorship agreement requires NBARTA to follow **Ohio Revised Code, Section 5705.391**.

Ohio Revised Code, Section 5705.391(A), and **Ohio Admin. Code, Section 3301-9204,** state in part, that school districts are required to prepare five year projections of revenues and expenditures. The projections are required to be submitted to the Ohio Department of Education (ODE) no later than October 31 of any fiscal year. A revised 5 year projection must be filed with the Department of Education between April 1 and May 31 of each fiscal year.

NBARTA did not prepare or submit a five-year forecast to ODE.

Officials' Response:

We received the following response from LCESC.

Ohio Department of Education (ODE), Office of Community Schools verified that they did not have on file any five (5) year forecasts for NBARTA. A five-year budget projection was included in the school's initial application with the Lucas County Educational Service Center (LCESC)

FINDING NUMBER 2005-012

Noncompliance

26 U.S.C. Section 3402 requires an employer to deduct and withhold federal income tax from the wages of any School employees. Circular E of the Internal Revenue Service Publication 15 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. Further, this publication provides that an employer is required to deduct and withhold federal income tax from the salaries and wages of their employees. Such withholdings are to be remitted to the Internal Revenue Service.

26 U.S.C. Section 3102(a) requires employers to withhold a Medicare tax from an employee's wages if the employee was hired after April 1, 1986

26 U.S.C. Section 6652(c)(1)(A) provides that, in the case of an organization having gross receipts exceeding $1,000,000 for any year, a penalty of $100 a day, not to exceed $50,000 may be charged when an annual return for an exempt organization is filed late. The penalty begins on the due date for filing Form 990 or 990-EZ.

26 U.S.C. 1.6041-1 requires 1099s to be issued to independent contractors (other than corporations) receiving $600 or more during a year.

The annual return must be filed by the 15th day of the fifth month after the end of the annual accounting period.

- W-2, form 1099-Misc, and other remittance forms were not provided for the period July 1, 2004 through December 14, 2004. The W-2's prepared by LCESC for the calendar year 2004 issued in the employer name of NBARTA only included wages paid for the period of December 15, 2004 to December 31, 2004. There was no evidence of other W-2 forms prepared for NBARTA to cover the wages paid prior to LCESC becoming fiscal agent.

- Form 990 was not provided to demonstrate the annual required filing with the Internal Revenue Service.

Failure to comply with these requirements can cause the school to incur penalties and interest with the Internal Revenue Service. We recommend that all applicable forms be accurately and timely filed with the Internal Revenue Service.

This will be referred to the Internal Revenue Service.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2005-013

Noncompliance

Ohio Revised Code, Section 3314.03(A)(10), provides that all community school classroom teachers are to be licensed in accordance with Ohio Revised Code Sections 3319.22 to 3319.31, except that a community school may engage noncertificated persons to teach up to twelve hours per week pursuant to Ohio Revised Code Section 3319.301. A permit must be issued by the Ohio Dept. of Education to these "noncertificated" persons in order to teach. Also, 34 C.F.R. Section 200.56, requires Title I teachers to be highly qualified as defined in this section.

Only 4 license or permit could be provided for any of the teachers or teacher aides for the audit.

FINDING NUMBER 2005-013
(Continued)

This practice could result in students being taught by unqualified/unlicensed teachers. We recommend that the School comply with all federal and state teaching guidelines by hiring licensed teachers, regularly reviewing the status of their teachers, and maintaining supporting documentation in their personnel files.

This matter will be referred to the Ohio Department of Education.

Officials' Response:

We did not receive a response from officials to the finding.

FINDING NUMBER 2005-014

Noncompliance

Ohio Rev. Code Section 3314.074. states, that, divisions (A) and (B) of this section apply only to the extent permitted under Chapter 1702. of the Revised Code.

(A) If any community school established under this chapter permanently closes and ceases its operation as a community school, the assets of that school shall be distributed first to the retirement funds of employees of the school, employees of the school, and private creditors who are owed compensation and then any remaining funds shall be paid to the state treasury to the credit of the general revenue fund.

(B) If a community school closes and ceases to operate as a community school and the school has received computer hardware or software from the former Ohio SchoolNet commission or the eTech Ohio commission, such hardware or software shall be returned to the eTech Ohio commission, and the eTech Ohio commission shall redistribute the hardware and software, to the extent such redistribution is possible, to school districts in conformance with the provisions of the programs operated and administered by the eTech Ohio commission.

(C) If the assets of the school are insufficient to pay all persons or entities to whom compensation is owed, the prioritization of the distribution of the assets to individual persons or entities within each class of payees may be determined by decree of a court in accordance with this section and Chapter1702. of the Revised Code.

NBARTA did not follow the above school closing procedures when it closed, as required.

This matter will be referred to the Ohio Department of Education.

FINDING NUMBER 2005-014
(Continued)

Officials' Response:

We received the following response from LCESC.

LCESC did complete a number of closing activities in lieu of the school governing authority's failure to do so. On September 22, 2006 a LCESC representative conducted an inventory of items remaining at the school and took photographs. It was determined that the value of remaining items was less than $500.

All student records were received by a LCESC representative and returned to the appropriate resident district.

Mary Taylor, CPA
Auditor of State

NATION BUILDING AUTO REPAIR AND TECHNICAL ACADEMY

HAMILTON 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
FEBRUARY 11, 2010

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