



Dave Yost • Auditor of State

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Richard Allen Preparatory Academy Community School
Montgomery County
368 South Patterson Blvd.
Dayton, Ohio 45402

To the Governing Board:

We have audited the accompanying financial statements of the Richard Allen Preparatory Academy Community School, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in note 14, the School restated its net assets at the beginning of the fiscal year. The School's 2009 financial statements were disclaimed upon, and we are unable to apply procedures to determine whether restated net assets in the financial statements as of July 1, 2009 were fairly presented in conformity with accounting principles generally accepted in the United States of America. Additionally, the financial statements excluded revenue collected as fees and related expenditures by the school for the after school program, Saturday school, books and materials fees. We cannot reasonably determine the amount by which this departure would increase the amounts reported for revenues and expenditures, and net assets.

In our opinion except for the effects of matters referred to in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Richard Allen Preparatory Academy Community School, Montgomery County, Ohio as of June 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 10D, the Auditor of State initiated a special audit regarding expenditures of the School.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Dave Yost
Auditor of State

November 18, 2011

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

The discussion and analysis of Richard Allen Preparatory Academy Community School's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- In total, net assets increased \$49,863, which represents a 1,054.2 percent increase from fiscal year 2009.
- Total assets increased \$16,552, which represents a 10.8 percent increase from fiscal year 2009.
- Liabilities decreased \$33,311 which represents a 21 percent decrease from fiscal year 2009.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the School did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

This statement reports the School's net assets, however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for fiscal year 2010 and fiscal year 2009.

**(Table 1)
Net Assets**

	2010	Restated 2009	Change
Assets:			
Current Assets	\$168,483	\$150,592	\$17,891
Depreciable Capital Assets, Net	1,770	3,109	(1,339)
Total Assets	170,253	153,701	16,552
Liabilities:			
Current Liabilities	125,120	158,431	(33,311)
Net Assets:			
Invested in Capital Assets	1,770	3,109	(1,339)
Unrestricted (Deficit)	43,363	(7,839)	51,202
Total Net Assets	\$45,133	(\$ 4,730)	\$49,863

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

Total assets increased \$16,552, primarily due to an increase in intergovernmental receivable. The increase in the receivable is due to the timing of when the foundation monies are received. Current liabilities also decreased \$33,311 due to payments made to the management company for prior year expenditures. The school reported an operating loss of \$160,719 which was offset by non-operating revenue of \$210,582 resulting in a net change in net assets of \$49,863.

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

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

	<u>2010</u>	<u>Restated 2009</u>	<u>Change</u>
Operating Revenues:			
State Foundation	\$1,362,856	\$289,409	\$1,073,447
Contractual Revenue		29,820	(29,820)
Miscellaneous	10,573	11,528	(955)
Total Operating Revenues	<u>1,373,429</u>	<u>330,757</u>	<u>1,042,672</u>
Non-Operating Revenues:			
Federal and State Grants	210,582	60,680	149,902
Total Revenues	<u>1,584,011</u>	<u>391,437</u>	<u>1,192,574</u>
Operating Expenses:			
Purchased Services	1,509,422	283,420	1,226,002
Professional & Legal Fees	22,858		22,858
Depreciation	1,339	2,355	(1,016)
Other Expenses	529	12,060	(11,531)
Total Operating Expenses	<u>1,534,148</u>	<u>297,835</u>	<u>\$1,236,313</u>
Change in Net Assets	49,863	93,602	
Net Assets at Beginning of Year	<u>(4,730)</u>	<u>(98,332)</u>	
Net Assets at End of Year	<u>\$ 45,133</u>	<u>(\$ 4,730)</u>	

The increase in revenues in fiscal year 2010 was due to receiving new federal grant stimulus monies and student enrollment was 204, an increase of 325 percent from 2009. The increase in purchased services corresponds to the revenues available for expenditure due to the grant and state foundation monies used for the increased enrollment needs.

Capital Assets

At June 30, 2010 capital assets of the School consisted of \$78,786 in equipment which was offset by \$77,016 in accumulated depreciation resulting in net capital assets of \$1,770. During the year the school did not record any capital asset additions. Current year depreciation expense was \$1,339.

Please see note 5 to the basic financial statements for more detailed information on the School's capital assets.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

Debt

At June 30, 2010 the School had an outstanding notes payable balance of \$28,100 to the Institute of Management and Resources, Inc. (IMR). The total balance is due by December 31, 2010 unless extended by both parties or payment is demanded by the management company.

Please see note 12 to the basic financial statements for more detailed information on the School's debt.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Richard Allen Preparatory Academy Community School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Richard Allen Preparatory Academy Community School, 368 South Patterson Blvd, Dayton, OH 45402.

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**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

Assets

Current Assets:

Cash and Cash Equivalents \$19,089

Receivables:

Accounts Receivable 20,693

Intergovernment Receivable 19,362

Contractual Receivable 109,339

Total Current Assets 168,483

Non-current Assets:

Capital Assets (Net of Accumulated Depreciation) 1,770

Total Assets 170,253

Liabilities

Current Liabilities:

Accounts Payable 97,020

Notes Payable 28,100

Total Current Liabilities 125,120

Net Assets:

Invested in Capital Assets, Net of Related Debt 1,770

Unrestricted 43,363

Total Net Assets \$45,133

See accompanying notes to the basic financial statements.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Operating Revenues:	
State Foundation	\$1,362,856
Miscellaneous Revenue	10,573
Total Operating Revenues	<u>1,373,429</u>
Operating Expenses:	
Purchased Services	1,509,422
Professional and Legal Services	22,858
Depreciation	1,339
Other	529
Total Operating Expenses	<u>1,534,148</u>
Operating Loss	<u>(160,719)</u>
Non-Operating Revenues:	
Federal and State Grants	210,582
Change in Net Assets	<u>49,863</u>
Net Assets at Beginning of Year (Restated)	(4,730)
Net Assets at End of Year	<u><u>\$45,133</u></u>

See accompanying notes to the basic financial statements.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$1,343,494
Cash Payments to Suppliers for Goods and Services	(1,565,592)
Cash Payments to Others	(529)
Cash Received from Miscellaneous Sources	39,880
Net Cash Used for Operating Activities	<u>(182,747)</u>

Cash Flows from Non-capital Financing Activities:

Federal and State Subsidies Received	<u>210,582</u>
Net Cash Provided by Noncapital Financing Activities	<u>210,582</u>

Net Increase in Cash and Cash Equivalents	<u>27,835</u>
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Cash and Cash Equivalents at Beginning of Year	(8,746)
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Cash and Cash Equivalents at End of Year	<u><u>19,089</u></u>
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**Reconciliation of Operating Loss to Net Cash Used for
Operating Activities:**

Operating loss	(160,719)
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**Adjustments to Reconcile Operating loss
to Net Cash Used for Operating Activities:**

Depreciation	1,339
Changes in Assets and Liabilities:	
Decrease in Contractual Amount Due	50,000
Increase in Intergovernmental Receivable	(19,362)
Increase in Accounts Receivables	(20,693)
Decrease in Payroll Requirement Due	(33,744)
Increase in Accounts Payable	10,615
Decrease in Intergovernmental Payable	(1,951)
Decrease in Accrued Contractual Labor	(8,232)
Total Adjustments	<u>(22,028)</u>

Net Cash Used for Operating Activities	<u><u>(\$182,747)</u></u>
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See accompanying notes to the basic financial statements.

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**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Richard Allen Preparatory Community School (the School) is a state 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 service. The School, which is part of the State's education program, is independent of any school district. 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 contracts with the Institute of Management and Resources, Inc. (IMR) for a variety of services including management consulting, Ohio Department of Education consulting, Education Management Information System (EMIS) monitoring and consulting, technology and operational support, teacher training, supervision of certified and non-certified personnel and assistance in grant applications. In addition all employees of the School are IMR employee's and are subsequently contracted to the School. (See note 9 for additional detail on the contractual relationship between IMR and the School).

The School entered into a Sponsor Contract with Kids Count of Dayton, Inc. on December 15, 2006. The contract was renewed on June 15, 2009 for the period July 1, 2010 through June 30, 2014.

The School operates under a self-appointing nine-member Board of Trustees (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School's enrollment for the 2010 school year was 204. The Sponsor, Kids Count of Dayton, Inc. with the approval of the executives of Richard Allen Preparatory Academy Community School suspended the operations of the school effective April 17, 2010 through June 30, 2010. Students were allowed to enroll in Richard Allen Academy II during this period. The School reopened July 1, 2010 at a new location, 627 Salem Avenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus And Basis Of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its 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 difference between total assets and liabilities is defined as net assets. Net assets are segregated into three categories: 1) invested in capital assets net of related debt, 2) restricted net assets and 3) unrestricted net assets. The statement of revenues, expenses and changes in net assets present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. 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 Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. 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 these estimates.

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 market value as of the date received. The School maintains a capitalization threshold of \$1,000. The School does not have 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 the asset's life are expensed.

Depreciation is computed using the straight-line method over estimated useful lives of five to seven years for equipment. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Parity Aid Program, which is poverty aid funding. These programs are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating And Non-Operating Revenues And Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include foundation payments (basic aid and special education funding) and parity aid received from the State of Ohio. Operating expenses are necessary costs incurred to support the School's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Federal and state grants comprise the non-operating revenues of the School.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2010, including accounts payable to vendors.

J. Federal Tax Exemption Status

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2010 the School had no restricted net assets.

3. DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the school had a bank balance of \$22,676. The entire balance was covered by federal depository insurance (FDIC).

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

4. RECEIVABLES

Intergovernmental Receivable - All intergovernmental receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. There were \$19,362 intergovernmental receivables outstanding at June 30, 2010.

Accounts Receivable – Amounts owed to the School by the management company for expenditure reimbursements.

Contractual Receivable – Amounts due from Richard Allen Academy II Community School for kindergarten contract.

5. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2010, follows:

<u>Depreciable Capital Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$78,786			\$78,786
Total	78,786			78,786
Less: Accumulated Depreciation	(75,677)	(\$1,339)		(77,016)
Capital Assets, Net	<u>\$ 3,109</u>	<u>(\$1,339)</u>	<u>\$0</u>	<u>\$ 1,770</u>

6. RISK MANAGEMENT

A. Property And Liability

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School contracted with the Netherlands Insurance Company for business personal property, director and officer liability and general liability insurance. Business personal property coverage carries a \$1,000 deductible. Director and officer liability coverage is set at \$1,000,000, total loss. The Netherlands Insurance Company also provides umbrella liability coverage of \$4,000,000 per occurrence, as well as, in the aggregate.

There has been no significant reduction in coverage in relation to the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

B. Employee Insurance Benefits

As part of the management agreement with the IMR (see note 9), insurance benefits are paid by the Institute.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy – 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 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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum of 10 percent for plan members and 14 percent for employers. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2010, 2009, and 2008 were \$6,600, \$3,623, and \$40,498 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, and multiple-employer public retirement system. STRS Ohio provides retirement and disability benefits, 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 or by calling (888) 227-7877 or by visiting STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on a final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times and actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited services 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute the statutory maximum of 10.0 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 members and employer contributions.

The School's required contributions for pension obligations for the fiscal year ended June 30, 2010, 2009, and 2008 were \$57,293, \$29,117, and \$39,276 respectively; which were equal to the required contributions for each year.

8. POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefits provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$238, \$1,658, and \$12,092 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contributions to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$392, \$299, and \$1,909 respectively; which were equal to the required contributions for each year.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

8. POST EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,407, \$2,240, and \$2,805 respectively; which were equal to the required contributions for each year.

9. MANAGEMENT COMPANY AGREEMENT

On September 1, 2006, the School entered into an agreement with the Institute of Management and Resources, Inc. (IMR), a non-profit corporation, to provide management services. The agreement with IMR was renewed and amended through June 30, 2015.

The Management Agreement provides that IMR will perform functions reasonably required to manage the operation of the School; ensure students receive services which are in accordance with applicable educational standards; make every effort to ensure the School complies with the requirements of any applicable statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction; acquire all necessary licenses and permits; maintain all student and financial records required by federal, state and local laws and regulations, as well as, protecting the confidentiality of those records; act as the School's agent in making deposits and disbursements promptly; provide for all expenses of operating the School, including lease payments for the school building, equipment and operating supplies needed in the operation of the School, from its management fee. IMR is responsible for hiring qualified teachers and all other employees which are subsequently contracted to operate the School. For fiscal year 2010, the expense related to contractual employees totaled \$660,339; \$ 581,544 for payroll and \$78,795 for benefits, respectively.

IMR receives a monthly management fee of 10% of the total revenues of the School from all sources after deductions for SERS, STRS and Audit Adjustments. IMR receives 87 percent of the remaining 90 from the operating revenues of the School to cover the cost for any expenses it incurs on behalf of the School in order to provide District wide services. These expenses may include but are not limited to District wide management services provided by IMR employees in the area of instruction, transportation, financial, and general business management and development, as well as, district wide purchase of textbooks and supplies.

The table below shows the management company expenses for fiscal year 2010.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

9. MANAGEMENT COMPANY AGREEMENT (Continued)

Direct Expenses	
Salary and Wages	\$581,544
Retirement Benefits	29,396
Health Insurance Benefits	49,399
Instructional Materials	51,369
Support Services	80,810
Facility and Occupancy	197,919
Other	<u>74,479</u>
Total Direct	\$1,064,916
Indirect Expenses	
Total Indirect	<u>195,431</u>
Total Management Expenses	<u>\$1,260,347</u>

The administration expenses incurred by IMR are allocated to the four different Richard Allen Schools under its control. These expenses are allocated to the individual school based on the student enrollment at each school to the total enrollment of all the schools.

10. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and 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. As a result of the review after fiscal year end, ODE underpaid the School \$19,362. This amount is reflected as intergovernmental receivable on the basic financial statements.

C. Litigation

There are no pending litigations pending that would impact the School's financial status.

D. Special Audit

On July 21, 2010, the Auditor of State initiated a special audit regarding expenditures of the school. Results of the special audit and the impact of any results from the special audit on the financial statements are currently unknown.

11. OPERATING LEASES

On March 10, 2010, the School entered into an operating lease agreement with St. Mary Development Corporation. The lease was originally between Richard Allen Academy II and St. Mary Development. The agreement was amended to include Richard Allen Preparatory, Inc. The terms of this agreement calls for monthly payments of \$1,500 per month. The lease ends June 30, 2011.

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

12. NOTES PAYABLE

At June 30, 2010, the School had a loan balance from the Institute of Management and Resources totaling \$28,100. These notes were originally required to be repaid from operating revenue by December 31, 2010 unless extended by the two parties. The repayment of the notes has subsequently been extended until payment is required by IMR. The loans do not contain any provision for interest. A summary of the School's short-term debt obligations for the year is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Operating Loan – IMR	\$28,100			\$28,100

13. RELATED PARTIES

The Governing Board, Chief Executive Officer, and Treasurer and Chief Fiscal Officer of Richard Allen Preparatory Community School serve in the same capacity for Richard Allen Academy, Richard Allen Academy II, and Richard Allen Academy III Community Schools, all of which are managed by the Institute of Management and Resources, Inc. (IMR). The school pays IMR a management fee of ten percent of the total revenue of the school from all sources after a deduction of SERS, STRS, and audit adjustments. The school pays IMR 87% of the remaining 90% for School Employee Fee incurred on behalf of the school. See Note 9 for additional information.

During fiscal year 2010, the School had \$28,100 outstanding in operating loans from IMR. See Note 12 for additional information.

The Institute of Charter School Management Resources, Inc. (ICSMR), a corporation wholly owned by the Chief Executive Officer of the School, provides and bills for consulting services to IMR, the management company for the School. The cost of the services provided to IMR by ICSMR is allocated to the School, as well as the other Richard Allen Schools.

The School's superintendent is the daughter of the ICSMR CEO. The CEO's husband sits on the School's board as a non-voting member.

14. RESTATEMENT OF NET ASSETS

The restatements for June 30, 2009 had the following effects on fund balance of the School as they were previously reported. The amounts were adjusted due to School's re-evaluation of accounts payable, which affected the below accounts.

	June 30, 2009	Increase / (Decrease)	Restated June 30, 2009
Adjustments:			
Cash		(\$8,746)	(\$8,746)
Accounts Payable	\$121,195	(34,790)	86,405
Payroll Requirement Due	63,964	(30,220)	33,744
Bank Overdraft	13,418	(13,418)	
Unrestricted	(77,521)	69,682	(7,839)

**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

14. RESTATEMENT OF NET ASSETS (Continued)

At June 30, 2009, this restatement had the following effect on fund equity as it was previously reported:

Net Assets at Beginning of Year	(\$74,412)
Net Accounting Change	<u>69,682</u>
Restated Net Assets at Beginning of Year	<u><u>(\$ 4,730)</u></u>

The restated net assets at beginning of year in amount of (\$4,730) were reflected on the basic financial statements.

15. PURCHASED SERVICES

During the fiscal year ended June 30, 2010, purchased service expenses for services rendered were as follows:

Management Services	\$1,440,492
Certificated Retirement	61,700
Non-Certificated Retirement	<u>7,230</u>
	<u><u>\$1,509,422</u></u>

16. NONCOMPLIANCE

During fiscal year 2010, the School did not pay the Management Company in accordance with the contract.



Dave Yost • Auditor of State

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

Richard Allen Preparatory Academy Community School
Montgomery County
368 South Patterson Blvd.
Dayton, Ohio 45402

To the Governing Board:

We have audited the financial statements of the Richard Allen Preparatory Academy Community School, Montgomery County, (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 18, 2011, wherein we noted that we were unable to apply procedures to determine whether restated net assets in the financial statements as of July 1, 2009 were fairly presented, also the financial statements excluded revenue collected as fees and related expenditures by the school for after school program, Saturday school, books and materials fees, and a special audit was initiated by the Auditor of State. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-012 through 2010-014 described in the accompanying schedule of findings to be material weaknesses.

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

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-015 described in the accompanying schedule of findings to be a significant deficiency.

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 2010-001 through 2010-012.

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated November 18, 2011.

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



Dave Yost
Auditor of State

November 18, 2011

RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2010

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

FINDING NUMBER 2010-001

NONCOMPLIANCE

Ohio Rev. Code Section 3314.02(E)(2) states no person shall serve on the governing authorities of more than two start-up community schools at the same time. However, all members of the Board of Directors of the School were members of the Board of Directors for each of the other three Richard Allen Community Schools.

The School should evaluate Board of Directors membership to require that any one individual serve on the Board of not more than two community schools at one time.

Official's Response: See page 37.

FINDING NUMBER 2010-002

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members were the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, the four Richard Allen Academy Schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Dixie Allen was compensated in the amount of \$800 during the audit period to attend two board meetings for four academies (2 meetings X 4 schools X \$100 = \$800). Pursuant to **Ohio Rev. Code 3314.025**, her compensation was limited to \$200. The \$600 that was overpaid to Ms. Allen should be allocated equally to the four academies in the amount of \$150 (\$600/4 Academies=\$150).

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Dixie Allen, and in favor of Richard Allen Preparatory Community School, in the amount of \$150.

**FINDING NUMBER 2010-002
 (Continued)**

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
7276	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8009	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75

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

Jeanette Harris and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$150, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company, in the amount of \$150, in favor of the Richard Allen Preparatory Community School to the extent that recovery or restitution is not obtained from Dixie Allen.

Official's Response: The finding was repaid on 1/11/12. See page 37.

FINDING NUMBER 2010-003

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, the four Richard Allen Academy Schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Gary Persons was compensated in the amount of \$1,200 during the audit period to attend three board meetings four academies (3 meetings X 4 schools X \$100 = \$1,200). Pursuant to Ohio Rev. Code Section 3314.025, his compensation was limited to \$300. The \$900 that was overpaid to Mr. Persons should be allocated equally to the four academies in the amount of \$225 (\$900/4 Academies = \$225).

**FINDING NUMBER 2010-003
 (Continued)**

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Gary Persons, and in favor of Richard Allen Preparatory Community School, in the amount of \$225.

<u>Check(s)</u>	<u>Date</u>	<u>Amount</u>		<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
		<u>Paid</u>				
6887	10/6/2009	\$100		Jeanette Harris and Steven Johnson	\$25	\$75
7273	1/12/2010	\$100		Jeanette Harris and Felix O'Aku	\$25	\$75
8010	4/7/2010	\$100		Jeanette Harris and Felix O'Aku	\$25	\$75

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

Jeanette Harris, Steven Johnson and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$225, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150, and Steven Johnson and his bonding company The Ohio Casualty Insurance Company in the amount of \$75, in favor of the Richard Allen Preparatory Community School to the extent that recovery or restitution is not obtained from Gary Persons.

Official's Response: The finding was repaid on 1/11/12. See page 37.

FINDING NUMBER 2010-004

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, the four Richard Allen Academy Schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

**FINDING NUMBER 2010-004
 (Continued)**

Johnny Davis was compensated in the amount of \$400 during the audit period to attend one board meeting for four academies (1 meetings X 4 schools X \$100 = \$400). Pursuant to **Ohio Rev. Code 3314.025** his compensation was limited to \$100. The \$300 that was overpaid to Mr. Davis should be allocated equally to the four academies in the amount of \$75 (\$300/4 Academies = \$75).

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Johnny Davis, and in favor of Richard Allen Preparatory Community School, in the amount of \$75.

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
8018	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75

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

Jeanette Harris and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severely issued against Jeanette Harris in the amount of \$75, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$75, in favor of the Richard Allen Preparatory Community School to the extent that recovery or restitution is not obtained from Johnny Davis.

Official's Response: The finding was repaid on 1/11/12. See page 37.

FINDING NUMBER 2010-005

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, the four Richard Allen Academy Schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

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

Lonnie Norwood was compensated in the amount of \$1,200 during the audit period to attend three board meetings for four academies (3 meetings X 4 schools X \$100 = \$1,200). Pursuant to **Ohio Rev. Code 3314.025** his compensation was limited to \$300. The \$900 that was overpaid to Mr. Norwood should be allocated equally to the four academies in the amount of \$225 (\$900/4 Academies = \$225).

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Lonnie Norwood, and in favor of Richard Allen Preparatory Community School, in the amount of \$225.

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
6886	10/6/2009	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
7272	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8013	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75

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

Jeanette Harris, Steven Johnson and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severely issued against Jeanette Harris in the amount of \$225, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company, in the amount of \$150, and Steven Johnson and his bonding company The Ohio Casualty Insurance Company, in the amount of \$75, in favor of the Richard Allen Preparatory Community School to the extent that recovery or restitution is not obtained from Lonnie Norwood.

Official's Response: The finding was repaid on 1/11/12. See page 37.

FINDING NUMBER 2010-006

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, the four Richard Allen Academy Schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

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

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Michael McCormick was compensated in the amount of \$800 during the audit period to attend two board meetings for four academies (2 meetings X 4 schools X \$100 = \$800). Pursuant to **Ohio Rev. Code 3314.025** his compensation was limited to \$200. The \$600 that was overpaid to Mr. McCormick should be allocated equally to the four academies in the amount of \$150 (\$600/4 Academies = \$150).

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Michael McCormick, and in favor of Richard Allen Preparatory Community School, in the amount of \$150.

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
7277	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8015	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75

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

Jeanette Harris and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severely issued against Jeanette Harris in the amount of \$150, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150, in favor of the Richard Allen Preparatory Community School to the extent that recovery or restitution is not obtained from Michael McCormick.

Official's Response: The finding was repaid on 1/11/12. See page 37.

FINDING NUMBER 2010-007

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

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

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, the four Richard Allen Academy Schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Wanda Mills was compensated in the amount of \$1,200 during the audit period to attend three board meetings for four academies (3 meetings X 4 schools X \$100 = \$1,200). Pursuant to **Ohio Rev. Code Section 3314.025** her compensation was limited to \$300. The \$900 that was overpaid to Ms. Mills should be allocated equally to the four academies in the amount of \$225 (\$900/4 Academies = \$225).

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Wanda Mills, and in favor of Richard Allen Preparatory Community School, in the amount of \$225.

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
6885	10/6/2009	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
7271	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8016	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75

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

Jeanette Harris, Steven Johnson and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severely issued against Jeanette Harris in the amount of \$225, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150, and Steven Johnson and his bonding company The Ohio Casualty Insurance Company in the amount of \$75, in favor of the Richard Allen Preparatory Community School to the extent that recovery or restitution is not obtained from Wanda Mills.

Official's Response: The finding was repaid on 1/11/12. See page 37.

FINDING NUMBER 2010-008

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, the four Richard Allen Academy Schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Laquetta Cortner was compensated in the amount of \$1,200 during the audit period to attend three board meetings for four academies (3 meetings X 4 schools X \$100 = \$1,200). Pursuant to **Ohio Rev. Code 3314.025** her compensation was limited to \$300. The \$900 that was overpaid to Ms. Cortner should be allocated equally to the four academies in the amount of \$225 (\$900/4 Academies = \$225).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Laquetta Cortner, and in favor of Richard Allen Preparatory Community School, in the amount of \$225.

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
6884	10/6/2009	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
7275	1/12/2010	\$100	Jeanette Harris and Felix O’Aku	\$25	\$75
8012	4/7/2010	\$100	Jeanette Harris and Felix O’Aku	\$25	\$75

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

Jeanette Harris, Steven Johnson and Felix O’Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severely issued against Jeanette Harris in the amount of \$225, Felix O’Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150, and Steven Johnson and his bonding company The Ohio Casualty Insurance Company in the amount of \$75, in favor of the Richard Allen Preparatory Community School to the extent that recovery or restitution is not obtained from Laquetta Cortner.

Official’s Response: The finding was repaid on 1/11/12. See page 38.

FINDING NUMBER 2010-009

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, the four Richard Allen Academy Schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Mia Wortham-Spells was compensated in the amount of \$800 during the audit period to attend two board meetings for four academies (2 meetings X 4 schools X \$100 = \$800). Pursuant to **Ohio Rev. Code Section 3314.025** her compensation was limited to \$200. The \$600 that was overpaid to Ms. Wortham-Spells should be allocated equally to the four academies in the amount of \$150 (\$600/4 Academies = \$150).

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Mia Wortham-Spells, and in favor of Richard Allen Preparatory Community School, in the amount of \$150.

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
7274	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8014	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75

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

Jeanette Harris and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$150, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150, in favor of the Richard Allen Preparatory Community School to the extent that recovery or restitution is not obtained from Mia Wortham-Spells.

Official's Response: The finding was repaid on 1/11/12. See page 38.

FINDING NUMBER 2010-010

NONCOMPLIANCE

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

The School's management company, Institute of Management and Resources purchased Christmas fruit baskets for the School's board members. The total cost of the fruit baskets was \$659, which was equally allocated and charged to all four Richard Allen Schools in the amount of \$164.

The Governing Authority did not approve the purchase of Christmas gifts in a formal written resolution, and there was no indication that the expenditure was otherwise approved as a proper public purpose. The Governing Authority should memorialize their decision to expend public funds in a formal resolution prior to making any expenditure.

Official’s Response: See page 38.

FINDING NUMBER 2010-011

NONCOMPLIANCE

First Addendum to the Management Agreement between Institute of Management and Resources, Inc. (IMR) and the School states, in part, that the School shall pay to IMR a management fee of 10% of the total revenues of the School from all sources after deduction of STRS, SERS, and audit adjustments. The School will pay to the IMR 87% of the remaining 90% for School Expense Fee incurred on behalf of the School for District wide operational services, i.e., transportation, supplies, textbooks, rents, utilities, etc.

During fiscal year 2010, the Schools paid \$1,490,599 to IMR for management fee and school related expenses. There were no billing statements or support for amounts paid and transferred to IMR for fiscal year 2010. During fiscal year 2010 the School received \$1,472,254 in “total revenues.” 10% or \$147,225 of these revenues were due to the IMR for management fee. 87% of the remaining \$1,325,029 amounting to \$1,152,775 were due to IMR for “School Expense Fees.” Based on the management agreement, total payment to IMR for management company and school expense fees should have been \$1,300,000. The management company was overpaid \$190,599.

The School should review its management company contract and verify that payments made to the management company are in accordance with the board ratified contract. Failure to do so could result in future potential overpayments and finding for recoveries.

Management company payments were investigated as part of the AOS special audit.

Official’s Response: See page 38.

FINDING NUMBER 2010-012

NONCOMPLIANCE AND MATERIAL WEAKNESS

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

The School utilized Sage MIP accounting system for recording its financial transactions. The system was designed to capture information on an accrual basis of accounting. Based on review of the general ledger from the system these accounts were not accurately updated or corrected in a timely basis throughout the year. In addition, numerous correcting entries were posted in the general ledger.

The School's Financial Report for 2010 contained errors which resulted in numerous reclassifications and adjustments to correctly report the financial activity during and at the end of the period as follows.

Statement of Net Assets:

- The School reported \$10,615 in Accounts Payable as Cash. The financial statements have been adjusted for this misclassification. Additionally, the School reported \$5,320 in Accounts Receivable as Cash. The financial statements were not adjusted for this misclassification.

Statement of Revenues, Expenses and Changes in Net Assets:

- \$91,827 in State Fiscal Stabilization Funds (SFSF) and \$94,310 in School Lunch revenues were reported as operating revenues and should be reported as non-operating revenues. The financial statements have been adjusted for this reclassification of revenues.
- \$1,440,492 in Management Service expenditures and \$68,930 in Retirement Expenditures should have been reported as Purchased Services. The financial statements have been adjusted for this reclassification of expenditures.
- School lunch revenue reported on the trial balance did not agree to the revenue journal in the amount of \$3,633. The financial statements have not been adjusted for this error.

Statement of Cash Flows:

- Cash Flows from Operating Activities was overstated \$175,522 and Cash Flows from Noncapital Financing Activities was understated by \$186,137. The net difference was due to audit adjustment for cash noted above.

In addition, several errors were noted in the Management Discussion and Analysis (MD&A) and the Notes to the Financial Statements.

Also, the School provided a trial balance that consisted of combined journal entries (a combination of reversing entries, accrual entries, and prior period audit adjustment entries) to calculate the financial statements.

Procedures should be developed and implemented to provide for the integrity of the financial records. Additionally, the amounts in the financial statements, notes to the financial statements, and MD&A should be supported by the appropriate documentation. Failure to establish these procedures could result in inaccurate financial reporting of the School's activities.

Official's Response: See page 38.

FINDING NUMBER 2010-013

MATERIAL WEAKNESS – BANK RECONCILIATIONS

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide a reasonable assurance that all receipts and expenditures have been correctly posted on the entity's books and have been correctly posted by the bank. Additionally, reconciliation provides the School with a picture of its financial position at month end.

The School did not perform monthly bank reconciliations for June 30, 2010 until March 2011. The following errors were noted in the June 30, 2010 bank reconciliation:

- The reconciliations included items on the outstanding checks that were not true outstanding checks. The School removed these items from its outstanding check list in July 2011.
- The School's June 30, 2010 bank reconciliation included \$5,295 in reconciling items that were actually payables or receivables. \$10,615 in negative reconciling items to cash were made for payments made by the management company. The School would eventually reimburse the management company for the expenditures. The reconciliation also included \$5,320 in positive adjustments to cash for 1) Management company expenditures that were paid by the School and 2) School's receipts that were actually deposited in the management company's accounts. Audit adjustments were required to correctly present the cash, receivable and payable balances.

Bank account reconciliations are a basic control to provide accuracy and completeness of the School's recording of current receipts and expenditures. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen.

Procedures should be implemented to verify that monthly bank reconciliations are performed in a timely manner and any reconciling items, other than deposits in transit, and outstanding checks, are corrected within a reasonable period. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors going unnoticed. Additionally, independent detailed reviews should be performed of these reconciliations as means of providing for their accuracy.

Procedures should be implemented to verify that monthly bank reconciliations are performed in a timely manner and any reconciling items, other than deposits in transit, and outstanding checks, are corrected within a reasonable period. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors going unnoticed. Additionally, independent detailed reviews should be performed of these reconciliations as means of providing for their accuracy.

Official's Response: See page 38.

FINDING NUMBER 2010-014

MATERIAL WEAKNESS – PROPER REPORTING OF FINANCIAL ACTIVITY

The School's Management Company (Institute of Management and Resources) contracted with and operated four separate community schools, all of which are under the Richard Allen name. The group of four schools and the management company commingled revenues and expenditures. Receipts and expenditures were commingled among the four schools and sometimes among the management company accounts. The following items indicate the commingling of financial information:

- Each student attending a Richard Allen School was required to pay a book and materials fee. However, these fees were not deposited or recorded by the School during fiscal year 2010.

**FINDING NUMBER 2010-014
(Continued)**

- The Richard Allen Schools partnered with a local church to provide an after-school program. According to program information, any student participating in the after-school program was required to pay a fee of \$35 for each week of participation payable to the Richard Allen School office. These collections were not deposited or recorded by the Richard Allen Schools.
- A payment due to the Richard Allen Schools from a vendor in the amount of \$59,436 was deposited by the management company during fiscal year 2010. This receipt was then brought onto the June 30, 2010 cash reconciliation as an adjustment to cash after year-end for Richard Allen Academy. This cash adjustment was made to only Richard Allen Academy's financial records despite the fact that the receipt related to each of the four Richard Allen Schools.
- The School collected other miscellaneous fees totaling \$5,320 that were deposited by the management company during fiscal year 2010. These items were included in the 2010 basic financial statements.
- It was a policy of the School that any student participating in an athletic program must pay an \$85 fee. However, these collections were not deposited or recorded by the Richard Allen Schools.
- The School operated a uniform store to allow students to purchase clothing items to meet the School's dress code. However, these collections were not deposited or recorded by the Richard Allen Schools.

Failure to appropriately account for all financial activity of the School lead to financial statement misstatements. The School should adopt and implement procedures to properly allocate and account for all financial activity. All funds due to the School should be recorded in the School's accounting records and should be deposited by the School in its bank account.

Official's Response: See page 38.

FINDING NUMBER 2010-015

SIGNIFICANT DEFICIENCY – FOOD SERVICE ACTIVITY

The School operated a food service program and the following information was noted:

- 1) Daily lunch collections were deposited into a bank account that was shared by all four of the Richard Allen Academy Schools and one private school operated by the management company. The funds were comingled in the account that was in the name of Richard Allen Academy, Edgemont Campus.
- 2) Cash collected from the School's food service cash drawer was frequently utilized to make food service-related purchases.
- 3) The revenue collections were not distributed and posted to the various schools until after June 30, 2010; however, these were included in the 2010 basic financial statements by the client thru a journal entry.
- 4) Daily lunch summary sheets lacked a reconciliation to determine if the amount collected reconciled to the amount that should have been collected.

The above weaknesses with the food service operation could result in errors and irregularities occurring and not being detected in a timely manner, as well as having possible implications regarding the School's federal and state lunch claim reimbursement.

**Finding Number 2010-015
(Continued)**

The School should implement procedures to correct the above issues with their food service operations. All food service purchases should follow standard accounting and internal control practices and cash should never be used to make purchases. Revenue should be posted to the accounting records of the individual school throughout the year. In addition, a daily reconciliation should be performed by the School to determine if the amount of lunch money collected and deposited is proper.

Official's Response: See page 39.

**RICHARD ALLEN PREPARATORY ACADEMY
OFFICIALS RESPONSE**

FINDING NUMBER 2010-001

Response

The Governing Board of the Richard Allen Prep is currently in compliance with R.C. § 3314.02(E)(2). No Governing Member serves on more than two (2) community school governing boards.

FINDING NUMBER 2010-002

Response

The overpayments to Dixie Allen will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

FINDING NUMBER 2010-003

Response

The overpayments to Gary Persons will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

FINDING NUMBER 2010-004

Response

The overpayments to Johnny Davis will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

FINDING NUMBER 2010-005

Response

The overpayments to Lonnie Norwood will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

FINDING NUMBER 2010-006

Response

The overpayments to Michael McCormick will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

FINDING NUMBER 2010-007

Response

The overpayments to Wanda Mills will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

**RICHARD ALLEN PREPARATORY ACADEMY
OFFICIALS RESPONSE
(Continued)**

FINDING NUMBER 2010-008

Response

The overpayments to Laquetta Cortner will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

FINDING NUMBER 2010-009

Response

The overpayments to Mia Wortham-Spells will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

FINDING NUMBER 2010-010

Response

Jeanette Harris will reimburse Richard Allen Preparatory in the amount of \$164.

FINDING NUMBER 2010-011

Response

The intent of Richard Allen Preparatory and the management company in entering into this agreement was that 10% of the total school revenues be paid to IMR as the Management Fee; 87% of the total school revenues be paid to IMR for School Expenses Fees incurred by the management company; and the remaining 3% of total school revenues remain with the School. Upon recognizing the ambiguity in the contract language, the Board of Trustees and IMR have taken action to clarify the relevant contract language via retroactive amendment of the Management Agreement. The Boards have also adopted resolutions approving the retroactive amendment of the Management Agreement and affirming each Board's intent with regard to Section 3.0 thereof. Documentation supporting this action has been provided to the Special Audit team.

FINDING NUMBER 2010-012

Response

Richard Allen Preparatory has worked diligently to develop additional procedures to provide for the integrity of financial records since June 30, 2010.

FINDING NUMBER 2010-013

Response

Richard Allen Preparatory has developed policies and procedures to provide for monthly bank reconciliations.

FINDING 2010-014

Response

The School has adopted additional policies and procedures to ensure proper allocation and accounting of all financial activities.

**RICHARD ALLEN PREPARATORY ACADEMY
OFFICIALS RESPONSE
(Continued)**

FINDING 2010-015

Response

The School has since adopted policies and procedures to solidify internal controls and ensure that revenue received by the School is posted to its accounting records.

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**RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Dixie Allen	No	Repeated as Finding 2010-002
2009-002	Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Gary Persons	No	\$346 of the prior FFR was not repaid. Similar instance in current audit reported as Finding 2010-003
2009-003	Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Keisha Jordan	Yes	Not a Governing Board Member in 2010
2009-004	Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Lonnie Norwood	No	Repeated as Finding 2010-005
2009-005	Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Mia Wortham-Spells	No	Repeated as Finding 2010-009
2009-006	Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Wanda Mills	No	Repeated as Finding 2010-007
2009-007	Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Felix O’Aku	Yes	Not a Governing Board Member in 2010
2009-008	Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Michael McCormick	No	Repeated as Finding 2010-006
2009-009	Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Laquetta Cortner	No	Repeated as Finding 2010-008
2009-010	Finding for Recovery – Heating Project	Yes	
2009-011	Ohio Rev. Code Section 149.351(A) – Finding for Recovery - Unsupported and Improper Expenditure	Yes	
2009-012	Ohio Rev. Code Section 149.351(A) – Finding for Recovery Unsupported and Improper Expenditure	Yes	

Richard Allen Preparatory Academy Community School
Montgomery County
Schedule Of Prior Audit Findings
Page 2

2009-013	Ohio Rev. Code Section 149.351(A) – Finding for Recovery - Improper Expenditure	Yes	
2009-014	Ohio Rev. Code Section 149.351(A) – Lack of Supporting Documentation for Expenditures	Yes	
2009-015	Ohio Rev. Code Section 3314.01(B) and Ohio Rev. Code Section 3314.08(H)(1) – Tuition charge for Saturday School	No	Repeated as Management Letter citation
2009-016	Ohio Rev. Code Section 3314.08(B) Kindergarten agreement	Yes	Finding no longer valid
2009-017	Ohio Rev. Code Section 3314.02(E)(2) – Board Membership	No	Repeated as Finding Number 2010-001
2009-018	Ohio Rev. Code Section 3314.024 – Management Company Note Disclosure	Yes	
2009-019	Bank Reconciliation Monitoring	No	Repeated as Finding Number 2010-013
2009-020	Food Service Activity	No	Repeated as Finding Number 2010-015
2009-021	Allocation of Expenditures	Yes	
2009-022	Proper Reporting of Financial Activity	No	Repeated as Finding Number 2010-014
2009-023	Equity Reporting	Yes	
2009-024	Accounts Payable	Yes	
2009-025	Payroll Requirement Payable	Yes	
2009-026	Contracts	Yes	



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Richard Allen Preparatory Academy Community School
Montgomery County
368 South Patterson Blvd.
Dayton, Ohio 45402

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Richard Allen Preparatory Academy Community School (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated January 4, 2011 we noted the Board adopted an anti-harassment policy on January 12, 2010. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the January 12, 2010 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666.
 - (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident; and
 - (2) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governing Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

November 18, 2011



Dave Yost • Auditor of State

RICHARD ALLEN PREPARATORY ACADEMY COMMUNITY SCHOOL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2012**