NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the NuBethel Center of Excellence, Montgomery County (the School) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NuBethel Center of Excellence, as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 8 to the financial statements, the School has suffered recurring losses from operations and has a net asset deficiency of $135,328. Note 8 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2010, 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.

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

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The School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located.

Mary Taylor, CPA
Auditor of State

May 24, 2010

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Presented below is a discussion and analysis of the NuBethel Center of Excellence financial performance for the fiscal year ended June 30, 2009. The purpose of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- The School had an accumulated deficit of ($135,328).
- Total assets at fiscal year-end were $49,000 and total liabilities were $184,328.
- The School had operating revenues for the fiscal year 2009 of $388,917 and operating expenses of $544,840.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets/accumulated deficit, a statement of revenues, expenses and changes in accumulated deficit, and a statement of cash flows.

Statement of Net Assets/Accumulated Deficit

This statement was prepared using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the school's net assets for fiscal years 2008 and 2009.

(Table 1)
Net Assets

	2008	2009	Change
Assets:			
Current Assets	$ 3,413	$ 44,571	$41,158
Capital Assets, Net	4,989	4,429	(560)
Total Assets	8,402	49,000	40,598
Liabilities:			
Current liabilities	134,743	184,328	49,585
Net Assets:			
Invested in Capital Assets	4,989	4,429	(560)
Restricted	75,273		(75,273)
Unrestricted	(206,603)	(139,757)	66,846
Total Net Assets/Accumulated Deficit	($126,341)	($135,329)	($8,987)

Current Assets increased $41,158 due to an increase in state foundation revenues. Capital Assets decreased $560 due to current year depreciation. Current Liabilities increased $49,585 because of larger intergovernmental liabilities. The Accumulated Deficit increased $8,987 due to expenditures exceeding revenues in fiscal year 2009.

Table 2 shows the changes in net assets for fiscal years 2008 and 2009.

Table 2
Change in Net Assets

	2008	2009	Change
Operating Revenues:			
State Foundation	$246,407	$383,977	$137,570
Poverty Based Assistance	5,545	4,940	(605)
Total Operating Revenues	251,952	388,917	136,965
Non-Operating Revenues:			
Federal and State Grants	75,821	112,691	36,870
Other	9,428	34,245	24,817
Total Non-Operating Revenues	85,249	146,936	61,687
Total Revenues	337,201	535,853	198,652
Operating Expenses:			
Salaries	185,982	222,382	(36,400)
Fringe Benefits	46,328	51,194	(4,866)
Purchased Services	110,879	230,217	(119,338)
Rent	25,000	32,175	(7,175)
Materials & Supplies	16,101	8,312	7,789
Depreciation	560	560	
Total Expenses	384,850	544,840	($159,990)
Change in Net Assets	(47,649)	(8,987)	
Net Assets (Deficit) at Beginning of Year	(78,692)	(126,341)	
Net Assets (Deficit) at End of Year	($126,341)	($135,328)	

Total Foundation revenue was up due to increased and sustained enrollment for the fiscal year. This also contributed to the $36,870 increase in federal and state grants revenue. Other revenues increased as a result of debt forgiveness and collection of audit findings from 2008. Overall expenses increased $159,990 due to salary and vendor purchase increases. The School experienced an increase in the accumulated deficit of ($8,987) for fiscal year 2009.

Capital Assets

At the end of the fiscal year 2009, the School had $4,429 invested in furniture and equipment. Table 3 shows the fiscal year detail.

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

	2009
Furniture & Equipment	$6,109
Less: Accumulated Depreciation	(1,680)
Net Capital Assets	$4,429

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

Debt Administration

The School repaid $6,000 for debt outstanding during 2009. The Board President and Director have forgiven the remaining $21,719 in debt the School owed to them.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contract Mr. Carl W. Shye Jr., Treasurer at NuBethel Center of Excellence, 3560 West Siebenthaler Avenue, Dayton, OH 45406.

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NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS / ACCUMULATED DEFICIT
AS OF JUNE 30, 2009

Assets:	
Current Assets:	
Cash and Cash Equivalents	$4,250
Prepaid Items	750
Intergovernmental Receivable	39,571
Total Current Assets	44,571
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	4,429
Total Assets	49,000
Liabilities:	
Current liabilities:	
Accounts payable	85,665
Accrued Wages and Benefits Payable	7,054
Intergovernmental Payables	86,432
Accrued Interest	5,177
Total Liabilities	184,328
Net Assets / Accumulated Deficit:	
Invested in Capital Assets	4,429
Unrestricted	(139,757)
Total Net Assets / Accumulated Deficit	($135,328)

See accompanying notes to the basic financial statements.

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating Revenues:	
State Foundation	$383,977
Poverty Based Assistance	4,940
Total Operating Revenues	388,917
Operating Expenses:	
Salaries	222,382
Fringe Benefits	51,194
Purchased Services	230,217
Rent	32,175
Materials & Supplies	8,312
Depreciation	560
Total Operating Expenses	544,840
Operating Loss	(155,923)
Non-Operating Revenues:	
Federal and State Grants	112,691
Other	34,245
Total Non-Operating Revenues	146,936
Change in Net Assets	(8,987)
Net Assets (Deficit) at Beginning of Year	(126,341)
Net Assets (Deficit) at End of Year	($135,328)

See accompanying notes to the basic financial statements.

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows Provided by / Used For Operating Activities:	
Cash Received from State of Ohio	$378,037
Cash Payments to Employees for Services	(236,467)
Cash Payments to Suppliers for Goods and Services	(228,376)
Net Cash Used by Operating Activities	(86,806)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	74,538
Other Non-operating Revenues	21,988
Net Cash Provided by Noncapital Financing Activities	96,526
Cash Flows fom Capital and Related Financing Activities:	
Cash Payments for Principal	(6,000)
Net Cash Used for Capital and Related Financial Activities:	(6,000)
Net Increase (Decrease) in Cash and Cash Equivalents	3,720
Cash and Cash Equivalents at Beginning of Year	530
Cash and Cash Equivalents at End of Year	4,250
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss	(155,923)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:	
Depreciation	560
Changes in Assets and Liabilities:	
Decrease in Prepaid Items	2,133
Increase in Intergovernmental Receivable	(10,880)
Increase in Accounts Payable	69,906
Increase in Intergovernmental Payable	12,579
Decrease in Accrued Wages	(5,181)
Total Adjustments	68,557
Net Cash Used For Operating Activities	($86,806)

Non-cash Items:

During the fiscal year ended June 30, 2009, debt obligations in the amount of $21,719 were forgiven and not evidenced by cash transactions.

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE REPORTING ENTITY

The NuBethel Center of Excellence, Inc., (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, which is part of the State's education program, is independent of any School district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Educational Resource Consultants of Ohio, (the Sponsor) for a period of five years commencing April 20, 2005 and ending June 30, 2010. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School leases its instructional and office space from Bethesda Temple Apostolic Church.

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

The primary government of the School consists of one fund, several departments and the Board. School programs include general operations and student related activities of the School. The School is associated with the Metropolitan Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area Schools sharing computer resources. (see Note 9)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School's basic financial statements consist of a statement of net assets/accumulated deficit, a statement of revenues, expenses, and changes in accumulated deficit, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. All assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of revenues, expenses and changes in accumulated deficit presents increases (i.e. revenues), and decreases (i.e. expenses) in net total net assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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

D. Revenues – Exchange and Non-Exchange Transactions

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

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

E. Expenses

Expenses are recognized at the time they are incurred.

F. Budgetary Process

Unlike other public Schools located in the State of Ohio, community Schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

G. Cash and Cash Equivalents

All monies received by the School are maintained in demand deposit accounts. Total cash is presented as "Cash and Cash Equivalents" on the accompanying statement of net assets/accumulated deficit. The School had no investments during the fiscal year 2009.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Schools bank balance of $14,184 was exposed to custodial credit risk because it was insured.

H. Intergovernmental Revenues

The School currently participates in the State Foundation Basic Aid Program and the Poverty Based Assistance Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

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

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

There were outstanding receivables, in the amount of $39,571, as of June 30, 2009.

I. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for addition and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of $500. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend and asset's life are not.

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

Furniture and Equipment	3-5 years

J. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Net assets are reported as restricted when there are limitations imposed on their used either through the enabling legislation adopted by the School or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets at June 30, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Operating Revenues and Expenses

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

L. Estimates

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

M. Prepaid Items

The School had prepaid items consisting of overpayments to SERS and STRS.

N. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	6/30/2008	Additions	Deductions	6/30/2009
Capital Assets:				
Equipment	$6,109			$6,109
Less: Accumulated Depreciation	(1,120)	($560)		(1,680)
	$4,989	($560)	$0	$4,429

N. Operating Leases

The School has an operating lease with Bethesda Temple Apostolic Church Inc. to lease a School facility. Payments totaling $32,175 were made during the year.

3. RISK MANAGEMENT

A. Insurance Coverage

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year ending June 30, 2009 the School contracted for the following insurance coverage:

Coverage Provided by Mutual Insurance Company:

General Liability:	
Each Occurrence	$1,000,000
Aggregate	$2,000,000

There has been no reduction in coverage from previous years. Settled claims have not exceeded insurance coverage for the past three fiscal years.

3. RISK MANAGEMENT (Continued)

B. Workers' Compensation

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

4. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions to SERS for the year ended June 20, 2009, 2008, and 2007 were $4,959, $8,504 and $5,424, respectively, 94.54 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are.

4. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were $22,478, $12,365, and $16,547 respectively; 98.58 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were $3,182 made by the School and $3,030 made by the plan members.

5. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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, Medicare Advantage 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. Benefit provisions and the obligations to contribute are established by the System 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 St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website at www.ohsers.org under Employers/Audit Resources.

5. POSTEMPLOYMENT BENEFITS (Continued)

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 is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 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 2009, 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, 2009, 2008, and 2007 were $2,269, $3,881, and $1,273 respectively; 94.54 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2009 and 2008 were $409, and $630 respectively; 94.54 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2008.

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 participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org 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 2009, 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, 2009, 2008, and 2007 were $1,729, $951, and $1,223 respectively; 98.58 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

6. CONTINGENCIES

A. Grants

The School receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to an audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School at June 30, 2009.

6. CONTINGENCIES (Continued)

B. School Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. This adjustment resulted in an underpayment of $10,880 for fiscal year 2009.

7. NONCOMPLIANCE

The School did not comply with requirements regarding withholding and remitting U.S. and other various payroll tax deductions.

8. MANAGEMENT'S PLANS REGARDING CONTINUED EXISTENCE

As shown in the accompanying financial statements, the School had an accumulated deficit of $135,328 as of June 30, 2009, which is primarily due to accounts payable of $85,665 and intergovernmental payable of $86,432.

The Board of Directors and Treasurer have formulated a plan to liquidate the debt and payroll taxes by January 2011. The plan involves a strict budgeting of expenses to generate sufficient cash flow to service current and past due liabilities. Moreover, we have also replaced key personnel to ensure compliance with state and federal reporting guidelines which would affect our funding.

The Board has also been upgraded to include more individuals with an emphasis in finance, particularly with regard to not-for-profit accounting. We feel these measures should ensure the financial integrity of the school.

9. JOINTLY GOVERNED ORGANIZATION

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

The governing board of MDECA consists of seven Superintendents of member School districts, with six of the Superintendents elected by majority vote of all member School districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA $1,294 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

10. PURCHASED SERVICES

For the period ended June 30, 2009, purchased service expense for services rendered by various vendors were as follows:

Professional and Technical Services	$185,871
Sponsor Fees	11,804
Maintenance	18,590
Communications	5,284
Other	8,668
Total Expenses	$230,217

11. RELATED PARTY TRANSACTIONS

The School paid a 3% sponsorship fee to the Educational Resource Consultant's of Ohio in the amount of $11,804 for fiscal year 2009.

12. SHORT TERM NOTES

Short-Term Obligation	Amount Outstanding 6/30/08	Additions	Deletions	Amount Outstanding 6/30/09
Personal Loan	$27,719	$	$27,719	$0

The School paid $6,000 on the personal loan during fiscal year 2009. The remaining $21,719 was forgiven by the Board President and Director has settlement in repaying findings for recovery from past audits.

13. SUBSEQUENT EVENT

On November 19, 2009, the Sponsor, ERCO, formally notified the School that it would not renew the sponsorship agreement that ends on June 30, 2010.

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Mary Taylor, CPA
Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the business-type activities of NuBethel Center of Excellence, Montgomery County (the School) as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 24, 2010, wherein we noted the accompanying financial statements have been prepared assuming that the School will continue as a going concern, for the year ended June 20, 2009. We also noted an independence impairment noting the School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider findings 2009-001 and 2009-002, described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

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Internal Control Over Financial Reporting
(Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2009-001 and 2009-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated May 24, 2010.

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 2009-002 through 2009-018.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated May 24, 2010.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 24, 2010

NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2009

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

FINDING NUMBER 2009-001

MATERIAL WEAKNESS

Accounts Payable

The Treasurer maintained accrual basis records for the School using Quickbooks. This system allowed for tracking of accounts payable; however the amounts reported on the annual financial report were incorrect. The accounting system, and therefore the Treasurer, incorrectly reported accounts payable as follows:

- Overstated $3,726
  - Buckner and Associates $143
  - Bureau of Worker's Compensation $2,783
  - Educational Tech Consultants $800

- Understated $44,036
  - Mary Taylor, CPA $32,536
  - Ohio Attorney General $4,000
  - Carl Shye, CPA $5,000
  - Johnnye Willis $2,500

The net effect of the accounts payable errors, in the amount of $40,310, was material to the financial statements and the account has been increased to appropriately present accounts payable.

The Treasurer should review the accounting system as well as transactions occurring after year-end to determine if accounts payable are presented accurately on the financial statements. The Treasurer should determine if the transactions were obligations of the School at the end of the fiscal year and if the amount included in the system is accurately stated based on the invoice and payment. This will allow for better financial reporting and accountability.

Official's Response

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

FINDING NUMBER 2009-002

NONCOMPLIANCE FINDING AND MATERIAL WEAKNESS

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

The School's Financial Report for 2009 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.

FINDING NUMBER 2009-002
(Continued)

Statement of Net Assets/Accumulated Deficit:

- Accumulated Depreciation was understated $662;
- Intergovernmental Receivable was understated $10,880
- Accounts Payable was understated $40,310;
- Intergovernmental Payable was understated $5,554
- Prepaid Assets were understated $1,091

Statement of Revenues, Expenses and Changes in Accumulated Deficit:

- State Foundation Revenue was understated by $10,880
- Fringe Benefits was understated by $4,463;
- Purchased Services was understated $40,310;
- Depreciation was understated $662;
- Federal and State Grants Revenue was understated by $11,564;
- Other Revenue was overstated by $11,564

Statement of Cash Flows

- Cash Received from Other Operating Sources overstated $9,428;
- Cash Payments to Suppliers for Goods/Services understated $2,171;
- Cash Payments to Employees for Services/Benefits overstated $37,109;
- Cash Received from Grants overstated $28,691;
- Cash Received from Other Non-Operating Revenues overstated $22,881;
- Cash Payments for Principal overstated $21,719

In addition, several errors were noted in the Management Discussion and Analysis (MD&A) and the Notes to the Financial Statements. Adjustments to correct the significant errors above are reflected in the financial statements, MD&A and notes.

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

Official's Response

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

FINDING NUMBER 2009-003

FINDING FOR RECOVERY REPAID UNDER AUDIT AND NONCOMPLIANCE FINDING

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

Ohio Revised Code Section 149.43(B)(1) states, in part, that upon request and subject to division (B)(8) of this section, all public records responsive to the request shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours.

Ohio Revised Code 149.351(A) states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

FINDING NUMBER 2009-003
(Continued)

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

The Director, Johnnye Willis, made a cash withdrawal on February 20, 2009 in the amount of $150 from the School's bank account and no additional supporting documentation was available in order to determine the purpose of the cash withdrawal.

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Johnnye Willis, Director, in the amount of $150 for cash withdrawals made from the School's bank account, in favor of the Nu Bethel Center of Excellence.

Officials Response

The Finding was repaid by Ms. Willis on June 2, 2010 as evidenced by deposit slip transaction 93.

FINDING NUMBER 2009-004

FINDING FOR RECOVERY REPAID UNDER AUDIT AND NONCOMPLIANCE FINDING

On October 30, 2008, the School paid Wanda Hines $1,370. The School had no record of an employment contract or timesheets for Wanda Hines. Ms. Hines was previously employed by the School, but the Principal indicated Wanda Hines did not work for the school in fiscal year 2009. Therefore Ms. Hines received an overpayment.

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Wanda Hines in the amount of $1,370 and in favor of NuBethel Center of Excellence.

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

Accordingly, a Finding for Recovery is issued against Carl Shye, Treasurer, jointly and severally in the amount of $1,370 and in favor of NuBethel Center of Excellence. Carl Shye shall be jointly and severally liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Wanda Hines.

Officials Response

The Finding was repaid by Mr. Shye on June 22, 2010 as evidenced by deposit slip transaction 182.

FINDING NUMBER 2009-005

FINDING FOR RECOVERY REPAID UNDER AUDIT AND NONCOMPLIANCE FINDING

On August 1, 2008, the School entered into a teaching contract for $30,000 with Elizabeth Coatsworth for teaching services during the 2008-2009 school year. It was noted that the School overpaid Ms. Coatsworth in the amount of $1,105 calculated below.

Employment Contract Amount	$30,000
Gross Amount Paid per School	31,105
Total Overpayment	($ 1,105)

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Elizabeth Coatsworth in the amount of $1,105 and in favor of NuBethel Center of Excellence.

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

Accordingly, a Finding for Recovery is issued against Carl Shye, Treasurer, and his bonding company, Western Surety Company, jointly and severally in the amount of $1,105 and in favor of NuBethel Center of Excellence. Carl Shye and his bonding company shall be jointly and severally liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Elizabeth Coatssworth.

Officials Response

The Finding was repaid by Mr. Shye on June 22, 2010 as evidenced by deposit slip transaction 182.

FINDING NUMBER 2009-006

FINDING FOR RECOVERY REPAID UNDER AUDIT AND NONCOMPLIANCE FINDING

On July 29, 2008, the School entered into a teaching contract for $30,000 with Harold Thomas for teaching services during the 2008-2009 school year. It was noted that the School overpaid Mr. Thomas in the amount of $1,105 calculated below.

Employment Contract Amount	$30,000
Gross Amount Paid per School	31,105
Total Overpayment	($ 1,105)

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Harold Thomas in the amount of $1,105 and in favor of NuBethel Center of Excellence.

FINDING NUMBER 2009-006
(Continued)

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

Accordingly, a Finding for Recovery is issued against Carl Shye, Treasurer, and his bonding company, Western Surety Company, jointly and severally in the amount of $1,105 and in favor of NuBethel Center of Excellence. Carl Shye and his bonding company shall be jointly and severally liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Harold Thomas.

Officials Response

The Finding was repaid by Mr. Shye on June 22, 2010 as evidenced by deposit slip transaction 182.

FINDING NUMBER 2009-007

FINDING FOR RECOVERY REPAID UNDER AUDIT AND NONCOMPLIANCE FINDING

On August 12, 2008, the School entered into a teaching contract for $28,000 with Serenity Warkentine for teaching services during the 2008-2009 school year. It was noted that the School overpaid Ms. Warkentine in the amount of $589 calculated below.

Employment Contract Amount	$28,000
Gross Amount Paid per School	28,589
Total Overpayment	($ 589)

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Serenity Warkentine in the amount of $589 and in favor of NuBethel Center of Excellence.

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

Accordingly, a Finding for Recovery is issued against Carl Shye, Treasurer, and his bonding company, Western Surety Company, jointly and severally in the amount of $589 and in favor of NuBethel Center of Excellence. Carl Shye and his bonding company shall be jointly and severally liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Serenity Warkentine.

Officials Response

The Finding was repaid by Mr. Shye on June 22, 2010 as evidenced by deposit slip transaction 182.

FINDING NUMBER 2009-008

FINDING FOR RECOVERY REPAID UNDER AUDIT AND NONCOMPLIANCE FINDING

On August 8, 2008, the School entered into a teaching contract for $29,000 with Nena Reck for teaching services for during the 2008-2009 school year. It was noted that the School overpaid Ms. Reck in the amount of $1,526 calculated below.

Employment Contract Amount	$29,000
Gross Amount Paid per School	30,526
Total Overpayment	($ 1,526)

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Nena Reck in the amount of $1,526 and in favor of NuBethel Center of Excellence.

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

Accordingly, a Finding for Recovery is issued against Carl Shye, Treasurer, and his bonding company, Western Surety Company, jointly and severally in the amount of $1,526 and in favor of NuBethel Center of Excellence. Carl Shye and his bonding company shall be jointly and severally liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Nena Reck.

Officials Response

The Finding was repaid by Mr. Shye on June 22, 2010 as evidenced by deposit slip transaction 182.

FINDING NUMBER 2009-009

FINDING FOR RECOVERY REPAID UNDER AUDIT AND NONCOMPLIANCE FINDING

Ohio Revised Code Section 3314.03(C) states that a contract entered under section 3314.02 of the Revised Code between a sponsor and the governing authority of a community school may provide for the community school governing authority to make payments to the sponsor, which is hereby authorized to receive such payments as set forth in the contract between the governing authority and the sponsor. The total amount of such payments for oversight and monitoring of the school shall not exceed three per cent of the total amount of payments for operating expenses that the school receives from the state.

In addition, **Section III of the Sponsorship Agreement** states that in consideration of the 3% of all funds received by the School from the State of Ohio, including state start-up grants, but excluding federal funds, the Sponsor shall provide the oversight required by law.

The School paid $11,803 to the sponsor and was only required to pay $11,381, which resulted in an overpayment of $422.There was no documentation supporting additional services provided.

FINDING NUMBER 2009-009
(Continued)

Total State Receipts	$379,384
Sponsorship Fee	3%
Total Sponsorship Fees	11,381
Total Payments	11,803
Total Overpayment to Sponsor	($ 422)

In accordance with the foregoing facts and pursuant to **Ohio Revised Code Section 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Educational Resource Consultants of Ohio in the amount of $422 and in favor of NuBethel Center of Excellence.

Officials Response

The Finding was repaid by Mr. Shye on June 22, 2010 as evidenced by deposit slip transaction 182 and by Educational Resource Consultants of Ohio on June 22, 2010 as evidenced by deposit slip transaction 202.

FINDING NUMBER 2009-010

NONCOMPLIANCE FINDING

Article II Section D of the Sponsorship Contract requires the School to comply with Chapter 102 of the Ohio Revised Code, except that a member of the School's governing authority or board, may also be an employee of the School and may have interest in a contract in which the school governing authority or board enters, so long as that contract is not with a for-profit entity and for management of a school under the auspices of the school's governing authority.

Article IX Section 5 of the school's by-laws states that any director officer, key employee, or committee members having an interest in a contract, other transaction or program presented to or discussed by the Board or Board committee for authorization, approval, or ratification shall make a full and frank disclosure of his or her interest to the Board prior to its acting on such contract or transactions.

Ohio Rev. Code 3314.03(A)(11)(e) requires the school to comply with Chapter 102 (Public Officers Ethics) and section 2921.42 (having an unlawful interest in a public contract) of the Ohio Revised Code. Additionally, the **Ohio Ethics Commission Advisory Opinion 2003-001** states that members of the governing board of a community school are bound by the provisions of RC Chapter 102 pursuant to the terms of the contract between the Community School and the sponsor.

Further, **Ohio Rev. Code 2921.01(A)** defines "public official" as any elected or appointed officer, employee, or agent of the state or any political subdivision, whether in a temporary or permanent capacity. As public officials, members of the governing board of a community school are subject to the provisions of R.C. 2921.42 (public contract law) and R.C. 2921.43 (supplemental compensation law).

Because of the specific exception enacted by the General Assembly in R.C. 3314.03(A)(11)(e), the Ethics Commission concluded that a member of the Board of a community School may become an employee of the School and may sell goods or some services to the community school. However, R.C. 102.03(D) and 2921.42(A)(1) prohibit a member of the board of a community school from participating, in any manner as a Board member, in board actions to approve, or alter the terms and conditions of any kind of contract in which he, a family member, or a business associate, has an interest, including an employment contract.

This conclusion also applies to all officers and employees of a community school, excluding teachers and other educators who have no authority to perform supervisory or administrative functions.

FINDING NUMBER 2009-010
(Continued)

Contrary to the aforementioned requirements, the Board Director, James Willis signed employment contracts that were for family members, as follows:

- Business Director contract in the amount of $26,000 for Johnnye Willis, related to the Board Director James Willis.
- Executive Director agreement in the amount of $27,000 for Jassica Jones, related to the Board Director, James Willis. Johnnye Willis, mother of Jassica Jones, signed the agreement as well.

Policies and procedures should be developed and implemented to verify that the Board members and Management disclose all their conflicts of interest. Failure to do so could result in Board members or Management approving contracts that are in the best interest of the related party and not the School. *This matter will be referred to the Ohio Ethics Commission.*

Official's Response

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

FINDING NUMBER 2009-011

NONCOMPLIANCE FINDING

Article II Section D of the Sponsorship Contract requires the School to comply with Chapter 102 of the Ohio Revised Code, except that a member of the School's governing authority or board, may also be an employee of the School and may have interest in a contract in which the school governing authority or board enters, so long as that contract is not with a for-profit entity and for management of a school under the auspices of the school's governing authority.

Article IX Section 5 of the school's by-laws states that any director officer, key employee, or committee members having an interest in a contract, other transaction or program presented to or discussed by the Board or Board committee for authorization, approval, or ratification shall make a full and frank disclosure of his or her interest to the Board prior to its acting on such contract or transactions.

Ohio Revised Code 3314.03(A)(11)(e) requires the school to comply with Chapter 102 (Public Officers Ethics) and section 2921.42 (having an unlawful interest in a public contract) of the Revised Code. Additionally, the **Ohio Ethics Commission Advisory Opinion 2003-001** states that members of the governing board of a community school are bound by the provisions of R.C. Chapter 102. pursuant to the terms of the contract between the community school and the sponsor.

Further, **Ohio Rev. Code 2921.01(A)** defines "public official" as any elected or appointed officer, employee, or agent of the state or any political subdivision, whether in a temporary or permanent capacity. As public officials, members of the governing board of a community school are subject to the provisions of R.C. 2921.42 (public contract law) and R.C. 2921.43 (supplemental compensation law).

Because of the specific exception enacted by the General Assembly in R.C. 3314.03(A)(11)(e), the Ethics Commission concluded that a member of the Board of a community School may become an employee of the school and may sell goods or some services to the community School. However, R.C. 102.03(D) and 2921.42(A)(1) prohibit a member of the board of a community school from participating, in any manner as a Board member, in board actions to approve, or alter the terms and conditions of, any kind of contract in which he, a family member, or a business associate, has an interest, including an employment contract.

This conclusion also applies to all officers and employees of a community school, excluding teachers and other educators who have no authority to perform supervisory or administrative functions.

FINDING NUMBER 2009-011
(Continued)

Contrary to the aforementioned requirements, Executive Director Jassica Jones signed the employment contract for her mother, Director Johnnye Willis, in the amount of $26,000.

Policies and procedures should be developed and implemented to verify that the Board members and Management disclose all their conflicts of interest. Failure to do so could result in Board members or Management approving contracts that are in the best interest of the related party and not the School. *This matter will be referred to the Ohio Ethics Commission.*

Official's Response

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

FINDING NUMBER 2009-012

NONCOMPLIANCE FINDING

Ohio Revised Code Section 3314.011 states every community school established under this chapter shall have a designated fiscal officer. The Auditor of State may require by rule (see OAC 117-6-07 below) that the fiscal officer of any community School, before entering upon duties as the fiscal officer of the School, execute a bond in an amount and with surety to be approved by the governing authority of the School, payable to the state, conditioned for the faithful performance of all the official duties required of the fiscal officer. Any such bond shall be deposited with the governing authority of the School, and a copy thereof, certified by the governing authority, shall be filed with the county auditor.

Additionally, **Ohio Admin. Code § 117-6-07** requires a community School fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in Ohio Revised Code Section 3314.011. The governing authority prescribes the bond amount and surety by resolution.

Further, **Article II Section 22 of the Sponsorship Agreement** states that the Treasurer's bond and proof of required training shall be in the custody of the Sponsor and the School Governing Authority at all times.

The School did not execute a bond for the Fiscal Officer for the first half of fiscal year 2009. Additionally the bond amount was not approved by the Board. This could result in the bond amount being inadequate, and the School assuming unnecessary liability. The School should implement procedures to verify that the appointed fiscal officer is bonded, and the amount of the bond is adequate for the cash flow of the School.

Official's Response

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

FINDING NUMBER 2009-013

NONCOMPLIANCE FINDING

Ohio Revised Code Section 149.011(G) defines "records" for purposes of the public records law, as any document, device, or item, regardless of physical form or characteristic, including an electronic record as defined in section 1306.01 of the Revised Code, created, received by, or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office.

FINDING NUMBER 2009-013
(Continued)

Ohio Revised Code Section 149.43(B)(1) states, in part, that "all public records shall be promptly prepared and made available for inspection to any member of the general public at all reasonable times during regular business hours."

Also, **Ohio Revised Code Section 149.351(A)** states that "all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Revised Code Sections 149.38 to 149.42."

Salary contracts for two employees were not available for the period.

The School should maintain all records and supporting documentation until they have been subject to auditing procedures and only dispose of records in accordance with their record retention policy.

Official's Response

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

FINDING NUMBER 2009-014

NONCOMPLIANCE FINDING

Sponsor Agreement

The School entered an agreement with the Education Resource Consultants of Ohio (ERCO) for sponsorship services related to the operation of the NuBethel Center of Excellence. This agreement outlined various requirements that the School must follow. Additionally, the School approved By-laws that outline the organization structure along with operational requirements of the School. Several violations of the Sponsorship contract and By-laws were noted during the year, as follows:

- **Article II, Item 3b & c of the By-laws** states that the school is to adopt and annually review and approve organizational goals, and additionally is to review and approve an annual implementation plan, budget and contracts necessary to carry out the activities of the School.
- **Article III, Item 1 of the By-laws** states that the Officers should consist of a President, Vice-President, Secretary, and Treasurer
- **Article IV, Items 1 and 2 of the By-laws** states an annual meeting should be held each year in July along with regular meetings every month. Additionally **Article VI, item 2** states an election of Board Officers shall take place at the annual meeting held each year.
- **Article V, Item 2** requires the following standing committees: Academic, Finance and Audit, Organizational, Effectiveness, and Nominating.
- **Article VI, Item 1 of the By-laws** states that the number of Board members of the School shall be a minimum of five (5) and a maximum of twelve (12). Three (3) of the members shall be chosen by the then acting members of an Ohio non-profit corporation. Two (2) members shall be chosen from the leaders from the board range of discipline representing professionals, community leaders, and a parent of a student currently enrolled at NuBethel Center of Excellence. In addition, one (1) teacher at NuBethel selected by NuBethel faculty ("Teacher Representative") will be selected as a non-voting member.
- **Article II Section 3(j) of the By-l-laws** states without limiting the generality of the powers granted to the Board in Article II, Section 2, the Board shall have all the powers enumerated by the Code of regulation, and the following specific powers: to enter into contract, leases, and other agreements which are, in the Board's judgment necessary and desirable in obtaining the purposes of promoting the interest of NuBethel Center of Excellence.

FINDING NUMBER 2009-014
(Continued)

- **Article II K of the Sponsorship Agreement** states that the School governing board must contain at least five (5) members who are not owners or employees, or relatives of owners or employees of any for-profit company that operates or manages the School. Additionally **Article II K Paragraph 2** states that all Board members must attend five hours of training within three months of election.
- **Article II DD of the Sponsorship Agreement** states that each year of the contract with the Sponsor, on or before June 30, a revised budget shall be submitted to the Sponsor.
- **Section IIC of the Sponsorship Agreement** states contracts entered into with third party vendors shall provide a right to cancel, terminate, or non-renew the contract.
- **Article III of the Sponsorship Agreement** states that for 3% of all funds received by the school from the State of Ohio, including startup grants, but excluding federal funds, the sponsor shall provide the oversight required by law.
- **Article II FF of the Sponsorship Agreement** states that comprehensive general liability insurance at all times will be maintained by the school governing authority in amounts not less than one million dollars ($1,000,000) per occurrence and three million dollars ($3,000,000) in the aggregate. This article also states that the school must obtain policies that notify the Sponsor in writing at least 30 days in advance of any material adverse changes to, cancellation of such coverage.

During the fiscal year the School did not:

- Adopt an annual implementation plan, budget, or contracts necessary to carry out the activities of the school
- Include the position of Vice-President on the Board
- Hold an annual meeting to elect officers of the Board
- Meet monthly
- Implement all of the required committees
- Appoint the required five Board members including members such as a Teacher or Parent of a currently enrolled student
- Have all Board members approve contracts/lease agreements and attend training
- Approve or submit a revised budget to the Sponsor
- Include appropriate language in contracts for the right to cancel
- Accurately calculate and submit payments to the Sponsor
- Secure insurance liability coverage in the required amount

The School should implement procedures to verify that it complies with all the requirements outlined in the School's By-Laws and Sponsorship agreement in order to improve compliance and controls over finances. Additionally, the Sponsor should monitor their contract with the School to ensure compliance.

Official's Response

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

FINDING NUMBER 2009-015

NONCOMPLIANCE FINDING

26 USC 3402(a) (1) states, in part that , in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of Treasury.

FINDING NUMBER 2009-015
(Continued)

During fiscal year 2009, the School withheld from employees, but did not remit to the United States Treasury, $11,330 of federal income taxes resulting in a total federal tax liability in the amount of $57,364 when combined with the prior year balance outstanding. Some payments were made during fiscal year 2009 and the School has reported the liability in the financial statements.

The School should record the proper amount of all remittances as intergovernmental payable, and additionally remit all federal income taxes withheld in a timely manner to the Internal Revenue Service. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings. *This matter will be referred to the Internal Revenue Service.*

Official's Response

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

FINDING NUMBER 2009-016

NONCOMPLIANCE FINDING

26 USC 3102(a) states that the tax imposed by section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. **26 USC 3111(a)** states that in addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment.

The School failed to remit the employee and employer portions of Medicare taxes to the United States Treasury totaling $4,820 for fiscal year 2009, resulting in a total payable of $19,216 when combined with the prior year balance outstanding. Some payments were made during fiscal year 2009 and the School has reported the liability in the financial statements

The School should record the proper amount of such remittances as intergovernmental payables, and additionally remit all Medicare taxes withheld in a timely manner to the Internal Revenue Service. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for a late tax filing. *This matter will be referred to the Internal Revenue Service.*

Official's Response

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

FINDING NUMBER 2009-017

NONCOMPLIANCE FINDING

Title III Chapter 36 Division 7 Section 36.102A of the City of Dayton Charter states subject to Section 36.116, an annual tax authorized by this division is to be imposed at the rate specified in Section 36.103 on all qualifying wages earned or received by a nonresident for work done or services performed or rendered in the City, subject to the limitations provided in Ohio Revised Code Section 718.011, and on net profits earned or received by a non-resident from the operation or conduct of business in the City.

FINDING NUMBER 2009-017
(Continued)

During fiscal year 2009 the School withheld City of Dayton income taxes in the amount of $876 from its employees, resulting in a total payable in the amount of $7,375, when combined with the prior year balance outstanding. This amount was reported as a liability on the financial statements. The School, however, lies within the limits of Harrison Township, which does not impose an income tax on earnings within the Township. This resulted in the School withholding money for the City of Dayton taxes in which the employees may not be liable. The School should remit taxes to the employee's home City or refund all taxes withheld for the City of Dayton.

Official's Response

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

FINDING NUMBER 2009-018

NONCOMPLIANCE FINDING

Ohio Revised Code Section 5747.06 (A) requires that except as provided in division (E)(3) of the same statute, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer, shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in his adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

The School failed to remit the state taxes to the State of Ohio totaling $4,141 for fiscal year 2009, resulting in a total payable of $8,031 when combined with the prior year balance outstanding. This amount was reported as a liability on the financial statements.

The School should remit all state income taxes withheld in a timely manner to the Ohio Department of Taxation. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax remittances. *This matter will be referred to the Ohio Department of Taxation.*

Official's Response

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

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NUBETHEL CENTER OF EXCELLENCE
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2008-001	Annual Financial Reporting	No	Repeated as Finding 2009-002
2008-002	26 USC 3402(a)(1)	No	Repeated as Finding 2009-015
2008-003	26 USC 3102(a) and 26 USC 3111(a)	No	Repeated as Finding 2009-016
2008-004	Title III Chapter 36 Division 7 Section 36.102A of the City of Dayton Charter	No	Repeated as Finding 2009-017
2008-005	OAC 117-2-02(D)	No	Repeated in separate letter to management.
2008-006	ORC 3314.011, OAC 117-6-07, and Article II Section 22 of the Sponsorship Agreement	No	Repeated as Finding 2009-012
2008-007	ORC 3314.03(A)(11)(b) and Article II Section FF of the contract with the sponsor	Partially corrected	Repeated as Finding 2009-014
2008-008	Article II Section D of the Sponsorship Contract, ORC 3314.03(A)(11)(e), Ohio Ethics Commission Advisory Opinion 2003-001, ORC 2921.01(A), ORC 102.03(D) and ORC 2921.42(A)(1)	No	Repeated as Finding 2009-010
2008-009	Article II Section D of the Sponsorship Contract, ORC 3314.03(A)(11)(e), Ohio Ethics Commission Advisory Opinion 2003-001, and ORC 2921.01(A)	Yes	Repeated as Finding 2009-011
2008-010	Lack of Monitoring Controls	Yes	
2008-011	Treasurer Finding for Recovery-Carl Shye	Yes	
2008-012	Lease Finding for Recovery-Bethesda Temple	Yes	
2008-013	ORC 3314.03(A)(11)(d) and ORC 149.351(A) Finding for Recovery-Johnnye Willis	Yes	
2008-014	Employment Contract Finding for Recovery-Jearlene McAtee	Yes	
2008-015	ORC 3314.03(C) Finding for Recovery-Educational Resource Consultants of Ohio	Yes	
2008-016	Employment Contract Finding for Recovery-Johnnye Willis	Yes	

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Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Directors:

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 NuBethel Center of Excellence (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. We noted the Board adopted an anti-harassment policy at its meeting on November 27, 2007.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

    1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

    2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

    3) A procedure for reporting prohibited incidents;

    4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

    5) 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;

    6) A procedure for documenting any prohibited incident that is reported;

    7) A procedure for responding to and investigating any reported incident;

8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

10) 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 Board and School's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 24, 2010

Mary Taylor, CPA
Auditor of State

NUBETHEL CENTER OF EXCELLENCE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 13, 2010