



**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

FINAL AUDIT

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD OF JULY, 2009 TO SEPTEMBER 25, 2009**



Dave Yost • Auditor of State

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Montessori Renaissance Experience
C/O Kids Count of Dayton
6500 Poe Avenue, Suite 140
Dayton, Ohio 45414-2568

To the Sponsor:

We have audited the basic financial statements of Montessori Renaissance Experience, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2009 and the period of July 1, 2009 to September 25, 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.

Except as discussed in the following paragraphs, 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 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.

We were unable to obtain sufficient evidential matter supporting the amounts reported as Unsupported Revenue, Unsupported Disbursements and Accounts Payable for the year ended June 30, 2009 and the period July 1, 2009 to September 25, 2009. These accounts consist of the following:

Account	Fiscal year ending June 30, 2009:		Period July 1, 2009 to September 25, 2009	
Unsupported Revenue	\$9,000	2% of operating revenues	\$13,100	98% of operating revenues
Unsupported Disbursements	\$67,772	10% of operating expenses	\$31,875	32% of operating expenses
Accounts Payable	\$64,886	35% of total liabilities	\$99,364	35% of total liabilities

In addition, we were unable to determine completeness of these accounts through alternative audit procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine completeness of Unsupported Revenues, Unsupported Disbursements and Accounts Payable, as described in the previous paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Montessori Renaissance Experience, Franklin County, Ohio as of June 30, 2009 and the period of July 1, 2009 to September 25, 2009 and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 20, the School's Board of Governors adopted a resolution to close Montessori Renaissance Experience effective September 25, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 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 22, 2011

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND
THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
UNAUDITED**

The management's discussion and analysis of the Montessori Renaissance Experience's (the "School"), financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2009, and the period July 1, 2009 to September 25, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of School's financial performance. The first year of the School's operation was fiscal year 2002.

Financial Highlights

Key highlights for fiscal year 2009 are as follows:

- Net Assets decreased \$132,748
- Operating expenses accounted for \$691,785 of the total expenses of \$697,528.
- Operating revenues accounted for \$401,744 of the School's funding.
- The School had an operating loss of \$290,041 and the operating loss was alleviated by \$163,036 of non-operating state and federal grants.

Key highlights for the period July 1, 2009 to September 25, 2009 are as follows:

- Net Assets decreased \$89,874.
- Operating expenses accounted for \$97,496 of the total expenses of \$104,402.
- Operating revenue accounted for \$13,254 of the School's funding.
- The School had an operating loss of \$84,242 and the operating loss was alleviated by \$1,274 of non-operating state and federal grants.

Using these Basic Financial Statements

This financial report consists of three parts – management's discussion and analysis, the basic financial statements and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the School. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the statement of position of the School. The statement of revenues, expenses and changes in net assets presents increases (e.g., revenue) and decreases (e.g., expenses) in net total assets. The statement of cash flows reflects how the School finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Reporting the School's Financial Activities

Statement of Net Assets, Statement of Revenue, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2009?" The statement of net assets and the statement of revenue, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenue and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND
THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
UNAUDITED**

These statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-28 of this report.

Table 1 provides a summary of the School's net assets at September 25, 2009 and June 30, 2009 compared to June 30, 2008.

	September 25, 2009	Table 1 June 30, 2009	June 30, 2008
Current assets	\$ 27,196	\$ 8,375	\$ 67,941
Capital assets, net and Security Deposit	-	9,681	12,081
Total assets	<u>27,196</u>	<u>18,056</u>	<u>80,022</u>
Current liabilities	<u>282,772</u>	<u>183,758</u>	<u>112,976</u>
Total liabilities	<u>282,772</u>	<u>183,758</u>	<u>112,976</u>
Net assets			
Invested in capital assets	-	8,306	10,706
Restricted for Security Deposit		1,375	1,375
Unrestricted	<u>(255,576)</u>	<u>(175,383)</u>	<u>(45,035)</u>
Total net assets	<u>\$ (255,576)</u>	<u>\$ (165,702)</u>	<u>\$ (32,954)</u>

Results as of September 25, 2009 indicate an ending negative net asset balance of (\$255,576) a decrease of \$222,622 over the net asset balance reported at June 30, 2008.

Over time, net assets can serve as a useful indicator of a government's financial position. At September 25, 2009, the School's liabilities exceeded assets by \$255,576.

On September 24, 2009, the Board of Governors adopted a resolution to close the School effective September 25, 2009.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND
THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
UNAUDITED**

Table 2 reflects the changes in net assets for the period of July 1, 2009 to September 25, 2009 and the fiscal year ended June 30, 2009 as compared to the fiscal year ended June 30, 2008.

Table 2

	Change in Net Assets		June 30, 2008
	September 25, 2009	June 30, 2009	
Operating Revenues:			
Foundation	\$ -	\$ 389,506	\$ 551,129
Charges for services		916	-
Unsupported Revenue	13,100	9,000	-
Other	154	2,322	6,240
Total revenues	<u>13,254</u>	<u>401,744</u>	<u>557,369</u>
Expenses:			
Salaries	5,163	269,370	272,556
Fringe Benefits	11,257	52,084	48,098
Purchased Services	47,116	263,729	227,813
Supplies and Materials	1,337	18,029	34,260
Depreciation	400	2,400	2,772
Other	349	18,401	51,307
Unsupported Disbursements	31,874	67,772	-
Total expenses	<u>97,496</u>	<u>691,785</u>	<u>636,806</u>
Operating Loss	<u>(84,242)</u>	<u>(290,041)</u>	<u>(79,437)</u>
Non Operating Revenues			
Other	-	-	-
Loss on disposal of capital assets	(6,906)	-	-
Federal and state grants	1,274	163,036	160,116
Interest expense	-	(5,743)	(896)
	<u>(5,632)</u>	<u>157,293</u>	<u>159,220</u>
Change in Net Assets	(89,874)	(132,748)	79,783
Net Assets (Deficit) Beginning of Year	<u>(165,702)</u>	<u>(32,954)</u>	<u>(112,737)</u>
Net Assets (Deficit) End of Year	<u>\$ (255,576)</u>	<u>\$ (165,702)</u>	<u>\$ (32,954)</u>

For fiscal year 2009 the School had a decrease of net assets of (\$132,748). This decrease was primarily due to a decrease in foundation payments and increase in purchased service expense.

For the period of July 1, 2009 to September 25, 2009 the School had a decrease of net assets of (\$89,874). This decrease was primarily due to not being eligible for any foundation payments since on September 24, 2009 the Board of Directors for the School approved a resolution to close the school effective September 25, 2009.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND
THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
UNAUDITED**

Budgeting

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

Capital Assets

At the end of fiscal year 2009, the School had \$8,306 invested in capital assets, net of accumulated depreciation. There were no asset acquisitions or disposals during fiscal year 2009.

For the period of July 1, 2009 to September 25, 2009, the School disposed of capital assets in conjunction with the school closure and recorded a loss on disposal of capital assets of \$6,906.

Economic Factors

The School receives approximately 96% of its operating revenue from the Ohio Department of Education. Additionally, approximately 98% of all revenues are from the Ohio Department of Education or from federal and state grants. As such the School is economically dependent on these two revenue sources.

Current Financial Related Activities

On September 24, 2009, the Board of Governors adopted a resolution to close the School effective September 25, 2009.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors, 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 financial information contact Carl Shye, CPA, Treasurer at 5844 Central College Road, New Albany, Ohio 43054 or email at carl@carlshye.com.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
SEPTEMBER 25, 2009**

Assets:

Current Assets:

Cash and cash equivalents	\$ 5,039
Accounts receivable	1,000
Pension Overpayment	21,157
Total assets	<u>27,196</u>

Liabilities:

Accounts payable	104,869
Intergovernmental Payable	34,071
Payroll Withholding Tax Liability	7,525
Foundation Overpayment	108,643
Grant Overpayment	4,276
Loans Payable	15,000
Interest payable	3,365
Notes Payable	<u>5,023</u>
Total liabilities	<u>282,772</u>

Net Assets:

Unrestricted (Deficit)	<u>(255,576)</u>
Total net assets	<u>\$ (255,576)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009**

Operating revenues:	
Unsupported Revenue	\$ 13,100
Other revenues	154
Total operating revenues	<u>13,254</u>
 Operating expenses:	
Salaries	5,163
Fringe Benefits	11,257
Purchased services	47,116
Supplies and materials	1,337
Depreciation	400
Unsupported Disbursements	31,875
Other	348
Total expenses	<u>97,496</u>
 Operating loss	 <u>(84,242)</u>
 Non-operating revenues:	
Loss on disposal of capital assets	(6,906)
Federal and state grants	1,274
Total non-operating revenues	<u>(5,632)</u>
 Change in net assets	 (89,874)
 Net assets (Deficit) at beginning of period	 <u>(165,702)</u>
 Net assets (Deficit) at end of period	 <u>\$ (255,576)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009**

Cash flows from operating activities:	
Cash received from foundation	\$ 67,744
Cash received from other	1,496
Cash received from unsupported revenue	13,100
Cash payments for personal services	(44,038)
Cash payments for purchased services	<u>(47,188)</u>
 Net cash used by operating activities	 <u>(8,886)</u>
 Cash flows from noncapital financing activities:	
 Federal & state grants	 <u>5,550</u>
 Net cash provided by noncapital financing activities	 <u>5,550</u>
 Net decrease in cash and cash equivalents	 (3,336)
 Cash and cash equivalents at beginning of period	 <u>8,375</u>
 Cash and cash equivalents at end of period	 <u><u>\$ 5,039</u></u>
 Reconciliation of operating loss to net cash used by operating activities:	
 Operating loss	 \$ (84,242)
 Adjustments:	
Depreciation	400
 Changes in assets and liabilities:	
Decrease in Security Deposit	1,375
Increase in Accounts Payable	23,071
Decrease in intergovernmental payables	3,784
Decrease in accrued wages	(27,375)
Increase in Foundation Overpayment	94,914
Decrease in Pension Obligation Payable	(21,257)
Increase in Payroll Withholding Tax Liability	<u>444</u>
 Net cash used by operating activities	 <u><u>\$ (8,886)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

Assets:

Current Assets:

Cash and cash equivalents	\$ 8,375
Total current assets	8,375

Non-Current Assets:

Depreciable capital assets, net of accumulated depreciation	8,306
Security Deposit	1,375
Total Non-Current Assets	9,681

Total assets	18,056
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Liabilities:

Accounts payable	81,798
Accrued Wages & Benefits	27,375
Intergovernmental Payable	30,287
Pension obligation payable	100
Payroll Withholding Tax Liability	7,081
Foundation Payable	13,729
Loans Payable	15,000
Interest payable	3,365
Notes Payable	5,023
	183,758

Total liabilities	183,758
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Net Assets:

Invested in capital assets	8,306
Restricted for Security Deposit	1,375
Unrestricted (Deficit)	(175,383)
	(165,702)

Total net assets	\$ (165,702)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Operating revenues:	
State foundation	\$ 389,506
Charges for services	916
Unsupported Revenue	9,000
Other revenues	2,322
Total operating revenues	<u>401,744</u>
 Operating expenses:	
Salaries	269,370
Fringe Benefits	52,084
Purchased services	263,729
Supplies and materials	18,029
Unsupported Disbursements	67,772
Depreciation	2,400
Other	18,401
Total expenses	<u>691,785</u>
 Operating loss	 <u>(290,041)</u>
 Non-operating revenues:	
Federal and state grants	163,036
Interest expense	(5,743)
Total non-operating revenues	<u>157,293</u>
 Change in net assets	 (132,748)
 Net assets (Deficit) at beginning of year	 <u>(32,954)</u>
 Net assets (Deficit) at end of year	 <u>\$ (165,702)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

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

Cash flows from operating activities:	
Cash received from foundation	\$ 348,103
Cash received from other	73,251
Cash received from unsupported revenue	9,000
Cash payments for personal services	(383,778)
Cash payments for purchased services	(256,838)
Cash payments for materials and supplies	(15,557)
Cash payments for unsupported disbursements	(2,886)
 Net cash used by operating activities	 <u>(228,705)</u>
Cash flows from noncapital financing activities:	
Federal & state grants	<u>201,024</u>
 Net cash provided by noncapital financing activities	 <u>201,024</u>
Cash flows from investing activities:	
Cash from loans payable	15,606
Interest expense	<u>(2,380)</u>
 Net cash provided by investing activities	 <u>13,226</u>
 Net decrease in cash and cash equivalents	 (14,455)
 Cash and cash equivalents at beginning of year	 <u>22,830</u>
 Cash and cash equivalents at end of year	 <u><u>\$ 8,375</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (290,041)
Adjustments:	
Depreciation	2,400
Changes in assets and liabilities:	
Decrease in Prepaid Items	12,026
Increase in Accounts Payable	68,793
Decrease in intergovernmental payables	(18,170)
Decrease in accrued wages	(9,710)
Decrease in Pension Obligation Payable	(14,813)
Increase in Foundation Payable	13,729
Increase in Payroll Withholding Tax Liability	<u>7,081</u>
 Net cash used by operating activities	 <u><u>\$ (228,705)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Montessori Renaissance Experience (the "School"), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with the Ohio Department of Education for period of five years commencing August 26, 2001. The School began the 2006-2007 fiscal year under a contract with Kids Count of Dayton, Inc (the Sponsor) for a period of five academic years commencing after June 1, 2006 and ending June 30, 2011. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operated under a self-appointing five-member Board of Governors (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Board. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which includes, but are not limited to, state-mandated provision regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Trustees controls the School's one instructional/support facility staffed by six certified full-time teaching personnel who provided services to 58 students.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School consists of all funds, departments, boards, and agencies that are not legally separate from the School. For the School, this includes instructional activities of the School.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget and issuance of debt. The School has no component units.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

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 units. 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 Standard Board (FASB) statements and interpretation issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The School uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus and Basis of Accounting

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the School are included on the statements of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the School finances meet its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when the 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. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts and spending plans. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the statement of net assets. The School had no investments during the fiscal year ended June 30, 2009 or the period of July 1, 2009 to September 25, 2009.

F. Capital Assets

The School's capital assets during fiscal year 2009 consisted of furniture, computer equipment, and other equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of five hundred dollars. The School does not have any infrastructure. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All capital assets are depreciated. Improvements are depreciated over the remaining useful lives related to capital assets. Depreciation of furniture, computer equipment, and other equipment is computed using the straight line method over the estimated useful life of three to seven years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by School or through external restriction imposed by creditors, grantors, or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2009 and September 25, 2009, there were no assets restricted by enabling legislation.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenue and expenses not meeting this definition are reported as non-operating.

I. Estimates

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

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenue

The School currently participates in the State Foundation Program, Title II-D, Special Education, Title I, Title V, Safe Drug-Free School, Improving Teacher Quality, Title II-A, School Breakfast Program, School Lunch Program, and EMIS. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements including timing, which specify the year when the resources are required to be used or the fiscal year when use is 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.

K. Accrued Liabilities

The School has recognized certain expenses due, but unpaid as of June 30, 2009 and for the period of July 1, 2009 to September 25, 2009. These expenses are reported as accrued liabilities in the accompanying financial statements.

3. ACCOUNTABILITY

Change in Accounting Principles

For fiscal year 2009, the School has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the School.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the School.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the School.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the School.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

4. CASH DEPOSITS

Deposits with Financial Institutions

At September 25, 2009, the carrying amount of all deposits was \$5,039. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of September 25, 2009, all of the School's bank balance of \$5,547 was covered by the Federal Deposit Insurance Corporation.

At June 30, 2009, the carrying amount of all deposits was \$8,375. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of June 30, 2009, all of the School's bank balance of \$12,979 was covered by the Federal Deposit Insurance Corporation.

5. RECEIVABLES

At June 30, 2009, the School did not have any receivables. At September 25, 2009 the School had accounts receivable of \$1,000 related to the sale of capital assets. The receivable was expected to be collected within one year.

6. CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2009</u>
Furniture, Fixtures, and Equipment	\$ 29,652	\$ -	\$ -	\$ 29,652
Less: Accumulated Depreciation	<u>(18,946)</u>	<u>(2,400)</u>	<u>-</u>	<u>(21,346)</u>
Net Capital Assets	<u>\$ 10,706</u>	<u>\$ (2,400)</u>	<u>\$ -</u>	<u>\$ 8,306</u>

Capital assets activity for the period of July 1, 2009 to September 25, 2009, was as follows:

	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/25/2009</u>
Furniture, Fixtures, and Equipment	\$ 29,652	\$ -	\$ (29,652)	\$ -
Less: Accumulated Depreciation	<u>(21,346)</u>	<u>-</u>	<u>21,346</u>	<u>-</u>
Net Capital Assets	<u>\$ 8,306</u>	<u>\$ -</u>	<u>\$ (8,306)</u>	<u>\$ -</u>

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

7. PURCHASED SERVICES

For the fiscal year ended June 30, 2009, purchased services expenses were as follows:

	<u>Amount</u>
Building Rent	\$ 46,050
Utilities	16,588
Computer/Tech Support	2,785
Payroll Preparation Fee	3,144
Maintenance Fees	13,560
Special Ed Professional Staff	8,510
Advertising/Marketing	3,536
Board Meeting Expense	582
Board Member Compensation	3,625
EMIS Services	39,425
Employee Background check	1,372
Sponsorship Fees	7,754
Legal Fees	7,316
Treasurer Fees	32,013
Food Services	32,204
Telephone/Postal Services	5,170
Bank Fees	361
Building Insurance	7,724
Field Trips	-
Professional Development	2,175
Other	7,865
Nursing	1,233
Late Fees	50
Professional Services	5,779
Audit Fees	14,908
Total	<u><u>\$ 263,729</u></u>

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

7. PURCHASED SERVICES (Continued)

For the period from July 1, 2009 to September 25, 2009, purchased service expenses were as follows:

	<u>Amount</u>
Building Rent	\$ -
Utilities	151
Computer/Tech Support	3,703
Payroll Preparation Fee	78
Maintenance Fees	800
Special Ed Professional Staff	-
Advertising/Marketing	-
Board Meeting Expense	-
Board Member Compensation	1,625
EMIS Services	4,500
Employee Background check	-
Sponsorship Fees	-
Legal Fees	128
Treasurer Fees	7,500
Food Services	1,464
Telephone/Postal Services	-
Bank Fees	354
Building Insurance	-
Field Trips	-
Professional Development	-
Other	514
Nursing	-
Late Fees	-
Professional Services	26,299
Audit Fees	-
Total	<u>\$ 47,116</u>

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

8. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risk of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the School contracted with Anderson Insurance Company for property insurance of \$50,000 in aggregate and general liability insurance of \$1,000,000 in aggregate. There is a \$500 deductible for the general liability and a \$1,000 deductible for property insurance. There has been no reduction in coverage over the prior years. There have been no settlements exceeding coverage in the last three years.

B. Workers Compensation

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

9. SPONSOR

The School was approved for operation under a contract with Kids Count of Dayton, Inc (the Sponsor) for a period of five academic years commencing July 1, 2006. As part of this contract, the Sponsor is entitled to a maximum of 2% of the total state funds. Total amount due and paid for year ended June 30, 2009 and for the period of July 1, 2009 to September 25, 2009 was \$7,754.

10. FISCAL AGREEMENT

The School entered into a service contract with Educational Resource Consultants of Ohio (ERCO), for fiscal year 2009 to provide fiscal services for a monthly fee of \$2,500 month. On April 15, 2009 the board terminated the contract with ERCO.

The School entered into a service contract with Carl Shye, CPA for the period of April 15, 2009 to June 30, 2011 to provide fiscal services for annual fee of \$30,000.

11. SERVICE AGREEMENT

The School entered into a professional consultant service with Kristi Marshall, for fiscal year 2009 to provide EMIS, CSADM, FLICS, and EMAD reporting services for a monthly fee of \$3,000 per month. Total amount due and paid for the year ended June 30, 2009 and for the period of July 1, 2009 to September 25, 2009 was \$41,550.

The School entered into a service contract with Eagle Eye Services, for fiscal year 2010 to provide CCIP and human resources services at a rate of \$4,700 per month. Total amount due and paid for the period of July 1, 2009 to September 25, 2009 was \$7,700.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

12. BUILDING LEASE

The School entered into a cancelable operating lease agreement with the Catholic Dioceses of Columbus for classroom space and other space in a building. The terms are for August 1, 2008 to June 30, 2009. This lease for classroom facilities is payable in monthly installments of \$2,500 a month plus utilities. The total lease payments made in fiscal year 2009 was \$47,832

13. PENSION PLANS

A. School Employees Retirement System

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

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 School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 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 amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. 100% percent of the School's required contribution for pension obligation for the fiscal year ended 2009, 2008, and 2007 and for the period of July 1, 2009 to September 25, 2009 have been paid. At September 25, 2009 the School has overpaid its required pension obligation by \$21,157.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

13. PENSION PLANS (Continued)

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 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 fiscal year 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.

100% percent of the School's required contribution for pension obligation for the fiscal year ended 2009, 2008, and 2007 and for the period of July 1, 2009 to September 25, 2009 have been paid. At September 25, 2009 the School has overpaid its required pension obligations by \$21,157.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, none of the School staff have elected Social Security.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

14. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit 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. 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.

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, the actuarially determined 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 contribution for health care (including surcharge) for the fiscal year ended June 30, 2009, was \$1,454, which equaled the required contributions.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. 100% percent of the School's required contribution for pension obligation for the fiscal year ended 2009, 2008, and 2007 and for the period of July 1, 2009 to September 25, 2009 have been paid. At September 25, 2009 the School has overpaid its required pension obligations by \$21,157.

B. State Teachers Retirement System of Ohio

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

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. 100% percent of the School's required contribution for pension obligation for the fiscal year ended 2009, 2008, and 2007 and for the period of July 1, 2009 to September 25, 2009 have been paid. At September 25, 2009 the School has overpaid its required pension obligations by \$21,157

15. OTHER EMPLOYEE BENEFITS

The School has contracted through an independent agent to provide employee medical and dental, insurance to its full time employees. The School pays a portion of the monthly premiums for a selected coverage (medical and dental).

16. INTERGOVERNMENTAL PAYABLE

Intergovernmental Payable at June 30, 2009 totaled \$30,287 as follows:

	Amount
Auditor of State	\$ 29,352
Ohio Department of Job and Family Services	935
	\$ 30,287
Total	\$ 30,287

Intergovernmental Payable for the period of July 1, 2009 to September 25, 2009 09 totaled \$34,071 as follows:

	Amount
Auditor of State	\$ 24,460
Ohio-BWC	8,676
Ohio Department of Job and Family Services	935
	\$ 34,071
Total	\$ 34,071

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

17. NOTES/LOANS PAYABLE

Notes and Loans payable activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>6/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2009</u>
Huntington National Bank				
Note Payable	\$ 5,023	\$ -	\$ -	\$ 5,023
Millennium Education Consultants				
Loan Payable	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total	<u>\$ 5,023</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 20,023</u>

Notes and Loans payable activity for the period of July 1, 2009 to September 25, 2009, was as follows:

	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/25/2009</u>
Huntington National Bank				
Note Payable	\$ 5,023	\$ -	\$ -	\$ 5,023
Millennium Education Consultants				
Loan Payable	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Total	<u>\$ 20,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,023</u>

The School entered into an initial line of credit in the amount of \$19,700 with the Huntington National Bank on November 5, 2004 for the purpose of paying the School operating expenses. The note had an initial rate of 6.75% and was subject to change from time to time based on changes in an index which is the Lender's Prime Commercial Rate. The line of credit was secured by all business assets. Interest payments were to be made monthly beginning December 31, 2004. During fiscal year 2006 the School requested increases in the line of credit totaling \$20,000. The \$20,000 line of credit, along with the original line of credit of \$19,700, was converted to a short term loan of \$39,700 in March 2006. The principal was due April 30, 2006 however, payment was not made. During fiscal years 2007 and 2008, the School was able to repay \$34,677 in principal and had a remaining balance of \$5,023 at June 30, 2008. The School made no additional payments during fiscal year 2009 or for the period from July 1, 2009 to September 25, 2009.

On June 11, 2009 the Board of Directors obtained a loan from Millennium Educational Consultants in the amount of \$15,000. No payment terms or interest rate were stated. The School made no payments on this loan during fiscal year 2009 or for the period from July 1, 2009 to September 25, 2009.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

18. CONTINGENCIES

A. Grants

The School received financial assistance from state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. The Auditor of State has identified several questioned costs related to federal programs which could be material to the School's financial statements. However the amount of potentially disallowed claims cannot be reasonably estimated so no liability has been recorded on the financial statements for the year ended June 30, 2009 or for the period of July 1, 2009 to September 25, 2009.

B. Full Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by schools. These reviews are conducted to ensure schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of ODE's review after fiscal year-end 2009, the School owed the Ohio Department of Education \$13,729, and for the period of July 1, 2009 to September 25, 2009 the School owed ODE an additional \$94,914; the School also received \$4,276 of grant funding it was not entitled to receive. These amounts are reflected as a foundation overpayment and grant overpayment liability on the financial statements.

19. TAX EXEMPT STATUS

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

20. SUBSEQUENT EVENTS/CEASED OPERATIONS

On September 24, 2009, the School Board of Governors passed a resolution to close Montessori Renaissance Experience effective September 25, 2009. Table 1 on the following page contains a schedule of all receipts and expenditures transactions which occurred subsequent to September 25, 2009, and the effects these transactions had on the School's cash and liabilities through September 30, 2010.

On November 20, 2009, Catholic Diocese of Columbus received a judgment against Montessori Renaissance Experience in the amount of \$9,028.33 for unpaid building rent and interest. A court order was issued to garnish the School budgetary account, and on February 18, 2010, \$4,050.19 was withdrawn from the School budgetary account. The balance of the judgment is still outstanding as of November 2011. A liability for this unpaid building rent has been reflected for this on the financial statements at June 30, 2009 and the period of July 1, 2009 to September 25, 2009.

On May 13, 2010, the Ohio Bureau Workers Compensation received a judgment against Montessori Renaissance Experience in the amount of \$8,913.88 for unpaid workers compensation premiums and claims. As of November 2011 no payment has been issued to Ohio Bureau Workers Compensation. A liability has been recorded for this on the financial statements for the period of July 1, 2009 to September 25, 2009.

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009
(Continued)**

20. SUBSEQUENT EVENTS/CEASED OPERATIONS (Continued)

Table 1

Date	Receipt	Expenditure	Payee/Vendor	Cash	Liabilities	9/25/09 Balance Description
				5,039.00	282,772.00	
10/16/09		509.19	Pods	(509.19)		Pods
10/22/09		339.46	Pods	(339.46)		Pods
10/30/09		122.00	Chase	(122.00)		Bank Fees
10/30/09		3,500.00	Carl W Shye Jr	(3,500.00)		Fiscal Services
10/30/09		4.00	Chase	(4.00)		Bank Fees
11/9/09		750.00	Carl W Shye Jr	(750.00)		Fiscal Services
11/9/09		4.00	Chase	(4.00)		Bank Fees
11/24/09	1,600.00		unknown	1,600.00		unknown
11/24/09	1,378.00		unknown	1,378.00		unknown
11/30/09		4.00	Chase	(4.00)		unknown
12/8/08	600.00		EMIS Grant	600.00	600.00	EMIS Grant
12/8/08	600.00		EMIS Grant	600.00	600.00	EMIS Grant
12/8/08	144.91		Food Service	144.91	144.91	Food Service
12/10/08		4.00	Chase	(4.00)		Bank Fees
12/10/08		4.00	Chase	(4.00)		Bank Fees
12/10/08		4.00	Chase	(4.00)		Bank Fees
12/10/08		4.00	Chase	(4.00)		Bank Fees
1/11/10	1,000.00		Providence Academy	1,000.00		Proceeds from the Sale of Capital Assets
1/13/10	144.91		Food Service	144.91	144.91	Food Service
2/8/10		1,700.00	Carl W Shye Jr	(1,700.00)		Fiscal Services
2/11/10		4.00	Chase	(4.00)		Bank Fees
2/23/10		4.00	Chase	(4.00)		Bank Fees
3/10/10		4,050.19	Columbus Catholic Dioceses	(4,050.19)		Garnishment for Building Rent
3/22/10	600.00		EMIS Grant	600.00	600.00	EMIS Grant
3/31/10		4.00	Chase	(4.00)		Bank Fees
4/28/10		550.00	Carl W Shye Jr	(550.00)		Fiscal Services
4/30/10		4.00	Chase	(4.00)		Bank Fees
5/28/10		4.00	Chase	(4.00)		Bank Fees
6/30/10		4.00	Chase	(4.00)		Bank Fees
7/30/10		4.00	Chase	(4.00)		Bank Fees
8/31/10		4.00	Chase	(4.00)		Bank Fees
9/30/10		4.00	Chase	(4.00)		Bank Fees
Total				(478.02)	284,862	
Add--O/S check CK # 15313-Kids Count of Dayton				500.00	500.00	
Amount per the September 2010 bank statement				21.98	285,361.82	

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Dave Yost • Auditor of State

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

The Montessori Renaissance Experience
C/O Kids County of Dayton
6500 Poe Avenue, Suite 140
Dayton, Ohio 45414-2568

To The Sponsor:

We have audited the basic financial statements of The Montessori Renaissance Experience, Franklin County, Ohio (the School) as of and for the year ended June 30, 2009 and the period of July 1, 2009 to September 25, 2009, as listed in the table of contents and have issued our reported thereon dated November 22, 2011, wherein we noted the school lacked sufficient evidential matter to support the amounts reported on the financial statements as Unsupported Revenue, Unsupported Disbursements and Accounts Payable. We also noted the School's Board of Governors adopted a resolution to close Montessori Renaissance Experience effective September 25, 2009. 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.

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 2009-001 through 2009-002 and findings 2009-005 through 2009-009 described in the accompanying schedule of findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the School's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-004 and 2009-006 through 2009-014.

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 22, 2011.

The School's responses to the findings identified in our audit are described in the accompanying scheduling 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 Board of Governors, and the School's Sponsor, Kids Count of Dayton. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 22, 2011

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Foundation Receipts

Material Weakness/Finding for Recovery

Ohio Rev. Code Section 3314.08 provides guidance for community schools to be funded by the Ohio Department of Education's (ODE) per-pupil foundation program ("Foundation"). Foundation settlements are paid to community schools on a monthly basis and are based on estimated student enrollments.

Additionally, Foundation amounts are adjusted after the close of each fiscal year, resulting in community schools accruing a receivable or payable based on a comparison of the actual amount ODE has paid to the adjusted amount due as a result of routine enrollment adjustments.

At its September 24, 2009 meeting the School's Board of Governors adopted a resolution to permanently close the School on September 25, 2009.

We noted the following regarding the School's Foundation receipts:

- For the fiscal year ended June 30, 2009 the School was over-funded Foundation payments, based on estimated enrollment, by \$13,729; this amount was a liability at June 30, 2009 and was not repaid to ODE.
- The School did not open for the 2010 school year in the fall of 2009; however between July 1, 2009 and September 25, 2009 the School received \$99,189 of Foundation funding, which was not repaid to ODE.

The Foundation monies discussed above were used to liquidate the School's outstanding operating expenditures. The School recorded an adjustment to its financial statements to reflect these liabilities.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public funds illegally expended is hereby issued against Carl Shye, Treasurer, and his bonding company, Travelers Casualty and Surety Company of America, and in favor of the Ohio Department of Education in the amount of \$112,918.

Officials' Response:

Carl Shye

I contest the findings for the reasons presented below. My comments separately address each finding for the two academic years.

FY2009

I assumed treasurer responsibility in April of the academic year. My responsibilities did not include reporting and/or even reviewing the CSADM enrollment information presented to ODE and processed in EMIS. The school employed another individual for this purpose. I had no idea that the school was over funded until the presentation of this finding. This precluded any chance to make restitution to ODE.

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-001 (Continued)

**Foundation Receipts (Continued)
Material Weakness/Finding for Recovery (Continued)**

Officials' Response (Continued):

FY2010

The report states that the school did not open in this academic year. That is not true. If ODE reviews its record it will be noted that the school had submitted a reorganization plan, authored by Ms. Cynthia Frazier, to relocate the school and combine its operations with another community school. The physical move had already taken place, with the approval of the school's sponsor. And according to Ms. Frazier, students were attending the school. We were awaiting final approval from ODE. During this time, ODE disbursed foundation funds from July to September 2010, totaling \$99,180. Note that the auditor points out that the funds were used to liquidate the School's outstanding operating expenditures. The inference is that these were "legal" expenditures. However, on September 25, 2009, the board of the school voted to close the school because of lack of ODE approval of the reorganization plan and financial issues. This is the day that I learned that the school would not continue operations in FY2010.

Again, I never had the opportunity to refund the foundation payments to ODE since I had no knowledge of the school's closing. I became aware of the school's closing after the September 24th board meeting. Until this time I was taking actions in preparation of its continued operations. Obviously, ODE believed that the school was going to continue operations since it funded the school from July to September. My information concerning its future was no better than ODE's. And ODE was responsible for making a decision critical to the school's continued existence.

Auditor of State Conclusion:

We consulted with the Ohio Department of Education who confirmed that the school did not serve any students during fiscal year 2010. Management did not provide us with any substantive proof that the school opened, including a school calendar, student enrollment forms, full-time equivalence reports, or any other documentation to evidence that the school served any students. Therefore, we could not corroborate Mr. Shye's contention that the school was operating and serving students during the fall of 2009.

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

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

FINDING NUMBER 2009-002

**Proper Public Purpose – Unsupported Financial Transactions
Material Weakness/Finding for Recovery**

Ohio Rev. Code Section 3314.03 (A) (11) (d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43 (B) states, in part, that all public records shall be promptly prepared and made available for inspection at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

After management initially provided records for the audit, there were significant delays in receiving any subsequent records requests. The Treasurer and the Administrator could not locate original copies of monthly bank statements, debit card statements and invoices and other documentation to support the School's financial transactions. We obtained the bank statements from the School's financial institution through subpoena.

The School experienced turnover in its treasurer position, with Rochelle Shields serving as treasurer from July 1, 2008 through March 31, 2009 and Carl Shye employed as treasurer for the period April 1, 2009 through September 25, 2009; Mr. Shye also was custodian of the School's bank accounts through April 2010.

Management expended public funds that were not supported by original supporting documentation such as invoices, expended public funds contrary to Board directives, and paid insurance premiums for an employee who was no longer employed.

For the fiscal year ended June 30, 2009, we noted the following lacked adequate support to enable us to determine proper classification in the financial statements:

1. \$9,000 of operating revenues (reported as Unsupported Revenue on the financial statements)
2. \$67,772 of operating expenses (reported as Unsupported Disbursements on the financial statements)
3. \$64,886 (79%) of accounts payable (note: related charge to expenses included in unsupported operating expenses above in #2)

For the period July 1, 2009 through September 25, 2009, we noted the following lacked adequate support to enable us to determine proper classification in the financial statements:

1. \$13,100 of operating revenues (reported as Unsupported Revenue on the financial statements)
2. \$31,875 of operating expenses (reported as Unsupported Disbursements on the financial statements)
3. \$99,364 (94%) of accounts payable (note: related charge to expenses included in unsupported operating expenses above in #2)

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

**Proper Public Purpose – Unsupported Financial Transactions (Continued)
Material Weakness/Finding for Recovery (Continued)**

We performed alternate audit procedures over the expenditures and gained assurance over a portion of those transactions, noting that they appeared to be reasonable and recurring. The financial statements have been adjusted to reflect these transactions in the proper line item based on the alternative audit procedures. However, included in the unsupported disbursement line item noted above are expenditures we were unable to determine if they were a proper public purpose as scheduled below:

Treasurer/ Administrator	Amount	Condition
Rochelle Shields/ Cynthia Frazier	\$1,133	Expenditures lacked supporting documentation. Expenditures were for general supplies, educational supplies, hearing and vision screenings, cleaning and food.
Carl Shye/ Vacant	6,500	Payment of treasurer fees after notification that the school was closing and Board directive to Mr. Shye that from that point forward he only had the authority to make payments to the sponsor or the School's outside legal counsel. Ms. Frazier had separated employment.
Carl Shye/ Cynthia Frazier	177	Expenditures lacked supporting documentation. Expenditures were for storage units, liability insurance, industrial supplies and office supplies.
Rochelle Shields/ Cynthia Frazier	1,663	Health and life insurance premiums for Inez Gordon-Burns, a former employee who had separated employment with the School prior to the benefit periods, and therefore was not eligible for coverage.
Carl Shye/ Cynthia Frazier	196	Reimbursement of overdraft fees paid to employee Saleema Benzegala-Bailey, incurred because of a payroll check with non-sufficient funds; however, due to its balance, Ms. Benzegala-Bailey's account would have been overdrawn and incurred these same fees anyway.
	<u>\$ 9,669</u>	

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

**Proper Public Purpose – Unsupported Financial Transactions (Continued)
Material Weakness/Finding for Recovery (Continued)**

Without appropriate documentation it is not possible to determine if the expenditures above included items that would not be considered expended for a proper public purpose. Additionally, the failure to maintain adequate support for revenues and expenditures results in a loss of accountability over the School's finances, making it difficult to identify errors which could go undetected, and could result in expenditures that are not for a proper public purpose, or revenue and expenditure transactions that are not properly classified in the financial statements.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public monies illegally expended in favor of the School's General Fund are hereby issued against:

- Rochelle Shields, Treasurer, and Cynthia Frazier, Administrator, in their supervisory capacities assuring that expenditures were for a proper public purpose, and her bonding company, Western Surety, and former employee, Inez Gordon-Burns, jointly and severally, for \$1,663.
- Rochelle Shields, Treasurer, and Cynthia Frazier, Administrator, in their supervisory capacities for assuring that all checks and debit card payments were supported by proper documentation, and her bonding company, Western Surety, jointly and severally, for \$1,133.
- Carl Shye, Treasurer, in his supervisory capacity for assuring that all payments were in accordance with Board directives and were supported by proper documentation, and Travelers Casualty and his bonding company, jointly and severally, for \$6,500.
- Carl Shye, Treasurer, and Cynthia Frazier, Administrator, in their supervisory capacities for assuring that all checks and debit card payments were supported by proper documentation, Travelers Casualty and Surety Company of America, Carl Shye's bonding company, and Western Surety, Cynthia Frazier's bonding company, jointly and severally, for \$177
- Carl Shye, Treasurer, Cynthia Frazier, Administrator, Saleem Benzegala-Bailey, Carl Shye's bonding company, Travelers Casualty and Surety Company of America, and Western Surety, Cynthia Frazier's bonding company, jointly and severally, for \$196.

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

**Proper Public Purpose – Unsupported Financial Transactions (Continued)
Material Weakness/Finding for Recovery (Continued)**

Proper supporting documentation should have been maintained to evidence all revenues and expenditures and ensure the accuracy of the financial statement presentation. For expenditures, such documentation should have been received and approved by those with appropriate authority prior to expenditure and maintained to evidence the details of the goods or services purchased. Such revenue and expenditure documentation should have also been reviewed by the Board during monthly review of financial reports to ensure the proper recording and classification of financial transactions.

Officials' Response:

Proper Supporting documentation should be maintained to evidence all revenues and expenditures and is a legitimate means of ensuring accuracy of financial statement presentation. Occasionally small vendors go out of business and larger businesses are not able to retrieve duplicate invoices after a certain period of time, which was the case for most of the documentation not provided. The school would have benefited from scanning all original receipts to ensure more efficiency of document retrieval. The school would have also benefitted from an expedited audit, securing copies of documentation is difficult when the school has been closed for over two years.

Relative to health insurance premiums for a former employee, this expenditure may have been an error.

Had the school had an extended backer on the Error and Omission Policy this error would have been covered however, the amount of time taken for the audit may disallow such claims. Reimbursement of overdraft fees for an employee may have been an error and may have been covered by the school's insurance as well.

It has been a pleasure and an honor serving the Columbus community. The Montessori Renaissance Experience has intended to be good stewards over the publics' funding.

Auditor of State Conclusion:

The School should have maintained original records to support transactions at the time the transactions were executed. During the planning stages we provided management of a list of records that we typically request to perform an audit; at the commencement of the audit management informed us that all records had been provided to us. However we identified several missing records, and after making several requests of management and the sponsor over the course of several months there were still transactions for which those parties were unable to provide supporting documentation; findings for recovery have been issued for those amounts herein. We used subpoena to obtain all bank records.

MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)

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

FINDING NUMBER 2009-003

**Board Stipends
Finding for Recovery**

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division

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.

At its February 2009 board meeting the School's Board of Governors adopted a resolution to suspend payments of board stipends; however, we noted that board members Charity Martin (\$500), Christopher D. Martin (\$375), Earth Jallow (\$500), and Hassan Omar (\$250) received stipends in July 2009. There was no documentation in the minutes or the School's records to indicate the payments were approved by the board. Further there was no documentation to support that the payments were otherwise for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against board members Charity Martin in the amount of \$500 Christopher D. Martin in the amount of \$375; Earth Jallow in the amount of \$500 and; Hassan Omar in the amount of \$250 and in favor of the school's general fund.

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

Accordingly Carl Shye, Treasurer, in his supervisory capacity for assuring that all payments were remitted in correct amounts, and his bonding company, Travelers Casualty and Surety Company of America, are jointly and severally liable in the amount of \$1,625 and in favor of the school's general fund.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-004

**Overpayments
Finding for Recovery**

Ohio Rev. Code Section 3314.03 (A) (11) (d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43 (B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

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.

We noted two employees who received an extra pay; on September 15, 2009 Tabitha Conwell was paid \$1,458.33 and \$397.43, amounts above her normal and customary gross pay; on June 15, 2009 Michael Terry was paid \$567.00 above his normal and customary gross pay. There was no documentation in the minutes or the School's records to indicate the payments were approved by the board. Further, there was no documentation to support that the payments were otherwise for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Tabitha Conwell in the amount of \$1,855 and Michael Terry in the amount of \$567 and in favor of the school's general fund.

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

Accordingly Carl Shye, Treasurer, in his supervisory capacity for assuring that all payments were remitted in correct amounts, and his bonding company, Travelers Casualty and Surety Company of America, are jointly and severally liable in the amount of \$2,422 and in favor of the school's general fund.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-005

**Payroll Expenditures
Material Weakness**

Management can propose personnel decisions but ultimately personnel decision-making authority rests with the Board of Governors, and the Board should evidence hiring decisions and rates of pay through adoption of resolutions; such decisions should be clearly documented in the Minutes. Written contracts containing terms of employment should be signed by a representative of the Board and maintained by management.

We noted the following deficiencies regarding payroll:

- Personnel decisions such as hiring approvals and rates of pay were not consistently documented in the Board Minutes;
- While we noted contracts for certain employees were maintained, others could not be located, and their rates of pay were not documented in the Minutes. We performed alternate auditing procedures to ensure pay rates were reasonable.
- The School did not maintain personnel files containing relevant payroll documents and information for each employee.
- Contracts for supplemental work, such as summer school did not exist and there was no Board approval evidenced; we noted only signed timesheets as evidence that work was performed.
- For two months of fiscal year 2009 the School used a Quicken online payroll application. However there was no indication that the Board approved using this software and no documented controls related to processing transactions.
- The lack of consistently applied controls resulted in overpayments to pension systems of \$21,157 and underpayment of payroll withholdings to federal, state and local government agencies of \$7,525; the School's financial statements have been adjusted to reflect this.

Proper supporting documentation should have been maintained to evidence all payroll transactions were properly authorized and employees were paid at authorized rates. Policies and procedures manuals should document approved processing procedures. Use of software and official personnel decisions should have been clearly documented in the Minutes.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-006

**Withholding of Payroll Taxes
Material Weakness/Material Non-Compliance**

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

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

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

Carl Shye was employed as treasurer for the period April 2009 through September 25, 2009; Mr. Shye also was custodian of the School's bank accounts through April 2010.

From April 2009 through September 2009, the School withheld \$2,163 of federal income tax, \$2,166 of Medicare (employee and employer portions), \$1,427 of state income tax, and \$1,448 of local income tax that were not remitted to the respective government agencies.

These withheld monies were subsequently used for other operating expenditures. The School recorded an adjustment to its financial statements and accounting records to reflect these liabilities.

The School should have ensured all monies withheld were remitted to the appropriate government agencies.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-007

**Financial Monitoring/Financial Statement Adjustments
Material Weakness/Material Non-Compliance**

Ohio Admin. Code Sections 117-2-01(D)(3) & (5) state, in part, that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Monitoring is one of five vital interrelated internal control components and comprises regular management activities established to oversee whether management's financial objectives are being achieved. System generated reports serve as a useful means of accomplishing monitoring activities. It was the responsibility of the School's treasurer, management, and those charged with governance to design, implement, monitor, and identify deficiencies in the internal control environment.

The School did not have an effective control process established over the financial activity recorded on the School's ledgers or reported on its financial report, including financial statements, footnotes, and required supplementary information. Throughout fiscal year 2009 and thereafter, the School experienced cash flow problems; however, in spite of this the Board of Governors and management did not design and implement a system of financial monitoring which would enable those charged with governance and management to effectively monitor the School's ongoing financial condition and facilitate sound fiscal governance. The Board and management did not regularly review budget and actual system-generated financial reports and measure actual results against budgeted objectives.

Also, as noted throughout this report, records the School presented for audit were not well organized or were missing. It was apparent that effective monitoring controls were not implemented over fiscal operations and fiscal activity was not being monitored by parties independent of the contracted treasurer.

We noted several deficiencies in the June 30, 2009 financial statements, notes and proposed the following adjustments and corrections:

1. The School overstated its Cash and Prepaid Assets and understated its Capital Assets; the net effect of our audit adjustments was an overall decrease to assets of \$11,662, or 39%.
2. The School understated liabilities for Intergovernmental Payable, Pension Obligation Payable, Payroll Withholding Tax Liability, Foundation Payable, Loans Payable, and Accrued Interest Payable and overstated its Accounts Payable and Accrued Wages liabilities; the net effect of our audit adjustments was an overall increase to liabilities of \$45,664, or 33%.

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-007 (Continued)

**Financial Monitoring/Financial Statement Adjustments (Continued)
Material Weakness/Material Non-Compliance (Continued)**

The School also prepared financial statements from the period July 1, 2009 through the date of its closing, September 25, 2009; we noted several deficiencies in those financial statements, notes and required supplementary information. We proposed the following adjustments and corrections:

1. The School overstated its Prepaid Assets, Capital Assets and Security Deposit, and understated its Cash and Accounts Receivable; the net effect of our audit adjustments was an overall decrease to assets of \$17,112, or 74%.
2. The School understated liabilities for Intergovernmental Payable, Payroll Withholding Tax Liability, Foundation Payable, Grant Overpayment, Loans Payable, and Accrued Interest Payable and overstated its Accounts Payable and Accrued Wages liabilities; the net effect of our audit adjustments was an overall increase to liabilities of \$129,495, or 98%.

Additionally the notes to the financial statements omitted key information related to several material note disclosures, such as Pension Systems, Purchased Services and Notes Payable. Governmental Accounting and Financial Reporting Standards codification section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. We also proposed changes to the notes to the financial statements for the fiscal year ended June 30, 2009 and the period July 1, 2009 through September 25, 2009.

The School posted these adjustments and corrections to its financial statements and accounting records, where applicable.

The School should have implemented a system of internal controls to properly monitor the financial transactions and financial reporting to ensure the information accurately reflected the activity of the School and ensured the reliability of the financial data throughout the year and the preparation of accurate financial statements. The School also should have implemented monitoring procedures over completeness and accuracy of financial information reported within its annual report.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-008

**Community School Closing Procedures
Material Weakness/Material Non-Compliance**

ORC 3314.015 (E) states that the Ohio Department of Education (ODE) shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the revised code, and other matters related to ceasing operation of the school. ODE has published "Community School Closing Procedure Assurances", which governs the reporting of closed community schools.

The School's Board of Governors adopted a resolution at its September 24, 2009 meeting to permanently close the School effective September 25, 2009.

We noted the following regarding the ODE Closing Procedures:

- **Notice to ODE** – the School was required to notify ODE within 24 hours of official action; the Board of Governors adopted a resolution to close on September 24, 2009 but ODE was not notified until September 30, 2009.
- **Notification** – the School was required to notify school districts in which its students reside, and the general public, of the School's closing; these steps were marked "N/A" on the Checklist.
- **Submission of Final Expenditure Reports** – the School was required to submit Final Expenditure Reports to ODE related to its federal grant awards; this was marked as "N/A" on the Checklist.
- **Segregate State and Federal Assets for Purposes of Disposition** – the School was required to segregate state and federal assets to ensure proper disposition of federal funds; this was not done.
- **Make Final Disposition of Fixed Assets** – the Checklist contains specific procedures for disposition of fixed assets, including specific procedures for disposition of assets acquired through the federal Public Charter School Program; while the sponsor informed us there was an auction there was no evidence of a complete inventory offered for sale and final disposition, or ticket stubs or other records related to an auction; we noted one \$1,000 receipt from another community school for equipment purchased at the auction.
- **Order of Liquidation of Debts** – the Checklist contains a detailed list for order of liquidation of outstanding liabilities; the School's liabilities were not liquidated in this order.

The School did not follow the above school closing procedures when it closed.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-009

**Retirement Systems
Material Weakness/Material Non-Compliance**

Ohio Rev. Code Section 3307.01 requires enrollment and participation of teaching employees in the State Teachers Retirement System (STRS); Ohio Rev. Code Section 3309.01 requires the enrollment and participation of most other non-teaching employees in the School Employees Retirement System (SERS). Employees who are exempt from participating in these retirement plans must meet exemption criteria. The School is required to withhold employee retirement contributions and to make matching contributions.

We noted several employees who were not enrolled in these retirement programs and who otherwise did not meet any apparent allowable exemptions.

Additionally, for the period of July 2008 through March 2009 the School used a third-party administrator (TPA) to process its payroll transactions; effective April 2009 the School ended the arrangement with the TPA and began processing its own payroll transactions. The TPA or management withheld funds from employees' gross pay, collected matching employer contributions from the School, and remitted the amounts due to the retirement systems.

However throughout the period of July 2008 through September 2009 retirement contributions were also being withheld from the School's monthly Foundation Settlements from the Ohio Department of Education.

This resulted in an estimated combined overpayment to STRS and SERS of \$21,157 as of September 25, 2009. The school's financial statements and accounting records have been adjusted to properly reflect these overpayments.

The School should have reviewed the payments made directly and those paid via the Foundation Settlements in order to detect and prevent overpayments.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-010

**Eligibility – Nutrition Cluster & Title I Programs
Material Non-Compliance**

7 C.F.R. 245.6a(a) provides, in part that to qualify a child for meals/milk served free or at reduced price under the program(s), the child's family must annually submit an application to the School Food Authority, in this case the School. The application must be approved and maintained on file. The application must establish that the child's family income and family size place him/her within income eligibility standards issued by the State agency in accordance with guidelines published by the Food and Nutrition Services (FNS) of the U.S. Department of Agriculture (USDA).

By December 15th of each school year, the School must verify the information presented on a sample of the applications that it has approved for free or reduced price meals. The verification sample size is based on the number of approved applications on file as of October 31st.

The School was required to retain copies of the information reported for the verification for a minimum of three years.

Title I, Section 1115 of the Education and Secondary Education Act, (ESEA), (20 USC 6315), requires that Title I, Part A funds to be used to provide services and benefits to eligible children residing or enrolled in eligible school attendance areas.

The School used students' enrollment in the National School Lunch Program as a basis for determining eligibility for Title I services. However the School did not maintain free and reduced lunch applications for fiscal year 2009, and did not perform the above-described verification procedures.

If the school would have been subject to an OMB Circular A-133 single audit, this would have resulted in questioned costs, as defined by OMB Circular No. A-133, Section .105, of \$33,977 for the Nutrition Cluster federal program and \$143,219 for the Title I federal program.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-011

**Reporting for Federal Programs
Material Non-Compliance**

The Ohio Department of Education (ODE) Federal Fiscal Report Procedures # 1, and ODE Superintendent's Weekly E-mail, dated December 6, 2002 require the following:

Consolidated Application Assurance item 5 provides that the School will report to ODE as may be reasonably necessary to enable ODE to perform its duties.

Program funds are reported to the State of Ohio by the following reports:

- Project Cash Request (PCR)
- Final Expenditure Report (FER)

The Ohio Department of Education requires a final expenditure report (FER) to be submitted for each project immediately after all financial obligations have been liquidated. The report is due not later than 90 days after the end of the project period; for fiscal year 2009 grants this would have been September 30, 2009.

We noted differences between the amounts reported on the School's project cash requests and the accounting records. Additionally, the School did not submit Final Expenditure Reports.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-012

**Allowable Cost/Cost Principles – Title I
Material Non-Compliance**

OMB Circular A-87, Attachment B subsection 8.h. provides, in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. When employees work on multiple activities or cost objectives, the distribution of compensation needs to be supported by personnel activity reports that reflect the actual activity and total activity of the employees, unless certain time study requirements are met. An employee whose compensation is allocated solely to a single cost objective must furnish semiannual certificates that he/she has been engaged solely in activities supportive of the cost objectives.

Without such documentation the School cannot effectively demonstrate compliance with this requirement.

We noted the School did not maintain semi-annual certifications for employees whose salaries were allocated solely to the School's Title I grant. If the school would have been subject to an OMB Circular A-133 single audit this would have resulted in questioned costs, as defined by OMB Circular No. A-133, Section .105, of \$143,219 for the Title I federal program.

The School should have directed those employees who serve a single cost objective such as Title I to complete semi-annual certifications; the School should have then submitted the certifications to the Ohio Department of Education and maintained a copy.

Officials' Response:

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

**MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 THROUGH SEPTEMBER 25, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-013

**Annual Financial Report
Material Non-Compliance**

Ohio Rev. Code Section 117.38 states that public offices reporting pursuant to generally accepted accounting principles must file annual reports with the Auditor of State within 150 days following the close of fiscal year end. Also, at the time the report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The School did not file its annual GAAP financial report with the Auditor of State for the fiscal year ending June 30, 2009, or the period ended September 25, 2009, and did not file for an extension. Furthermore, the School did not provide notice in a local newspaper that the financial reports were available for public inspection.

Officials' Response:

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

FINDING NUMBER 2009-014

**Bonding of Fiscal Officers
Material Non-Compliance**

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 Rev. Code Section 3314.011. The governing authority prescribes the bond amount and surety by resolution.

Carl Shye became the School's treasurer in April 2009. The copy of the bond he provided contained an effective date of February 1, 2009. However, the bond Mr. Shye provided to us did not appear to be a true and correct version of his bond. Upon contacting the bonding company we were informed that Mr. Shye's bond was not effective until October 2009, six months after he assumed duties as the School's treasurer.

The School should have ensured its fiscal officer provided an appropriate bond prior to the fiscal officer entering upon the duties of fiscal officer.

Officials' Response:

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

**THE MONTESSORI RENAISSANCE EXPERIENCE
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
AND THE PERIOD JULY 1, 2009 TO SEPTEMBER 25, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2008-001	Financial Statement Adjustments	No	Reissued as finding 2009-007

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Montessori Renaissance Experience
C/O Kids Count of Dayton
6500 Poe Avenue, Suite 140
Dayton, Ohio 45414-2568

To the Sponsor:

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."

We noted in the Board's June 11, 2009 minutes that the Board approved an Anti-Bullying Policy. However, we were unable to obtain a copy of the policy from management, and therefore could not determine whether the School's policy contained attributes in compliance with Ohio Rev. Code 3313.666.

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 of Governors and Kids Count of Dayton, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 22, 2011

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Dave Yost • Auditor of State

MONTESSORI RENAISSANCE EXPERIENCE

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 26, 2012**