



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Independent Accountants' Report.....  | 1           |
| Management's Discussion and Analysis.....   | 3           |
| Statement of Net Assets – June 30, 2010 .....   | 7           |
| Statement of Revenues, Expenses, and Changes in Net Assets<br>For the Fiscal Year Ended June 30, 2010 .....   | 8           |
| Statement of Cash Flows<br>For the Fiscal Year Ended June 30, 2010 .....  | 9           |
| Notes to the Basic Financial Statements .....   | 11          |
| Independent Accountants' Report on Internal Control Over Financial<br>Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> ..... | 21          |
| Schedule of Findings.....   | 23          |
| Schedule of Prior Audit Findings.....   | 41          |
| Independent Accountants' Report on Applying Agreed-Upon Procedures.....   | 43          |

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

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

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

As described in Note 15, the School restated its net assets at the beginning of year. The School's 2009 financial statements were disclaimed upon, and we are unable to apply procedures to determine whether restated net assets in the financial statements as of July 1, 2009 were fairly presented in conformity with accounting principles generally accepted in the United States of America. Additionally, the financial statements excluded revenue collected as fees and related expenditures by the school for the after school program, Saturday school, books and materials fees. We cannot reasonably determine the amount by which this departure would increase the amounts reported for revenues and expenditures, and net assets.

The School has incurred an operating loss of \$355,472, and an accumulated deficit of \$261,095. Management's plans in regard to these matters are described in Note 13.

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

As described in note 11D, the Auditor of State initiated a special audit regarding expenditures of the School.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

November 18, 2011

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

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

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

**Financial Highlights**

Key Financial highlights for the fiscal year ended June 30, 2010:

- In total, net assets increased \$84,180, which represents a 24 percent increase from fiscal year 2009.
- Total assets increased \$10,018, which represents a 5.7 percent increase from fiscal year 2009.
- Liabilities decreased \$74,162 which represents less than a 14 percent decrease from fiscal year 2009.

**Using this Financial Report**

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

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

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

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

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

**(Table 1)  
Net Assets**

|                                 | <b>2010</b>    | <b>Restated<br/>2009</b> | <b>Change</b>   |
|---------------------------------|----------------|--------------------------|-----------------|
| <b>Assets:</b>                  |                |                          |                 |
| Current Assets                  | \$ 41,572      | \$ 19,997                | \$ 21,575       |
| Depreciable Capital Assets, Net | 145,323        | 156,880                  | (11,557)        |
| <b>Total Assets</b>             | <b>186,895</b> | <b>176,877</b>           | <b>10,018</b>   |
| <b>Liabilities:</b>             |                |                          |                 |
| Current Liabilities             | 351,581        | 425,743                  | (74,162)        |
| Notes Payable                   | 96,409         | 96,409                   |                 |
| <b>Total Liabilities</b>        | <b>447,990</b> | <b>522,152</b>           | <b>(74,162)</b> |

(Continued)

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

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

**(Table 1)  
Net Assets  
(Continued)**

|                            | <b>2010</b>        | <b>Restated<br/>2009</b> | <b>Change</b>   |
|----------------------------|--------------------|--------------------------|-----------------|
| <b>Net Assets:</b>         |                    |                          |                 |
| Invested in Capital Assets | 133,823            | 145,380                  | (11,557)        |
| Unrestricted (Deficit)     | (394,918)          | (490,655)                | 95,737          |
| Total Net Assets           | <u>(\$261,095)</u> | <u>(\$345,275)</u>       | <u>\$84,180</u> |

Total assets increased \$10,018, primarily due to an increase in accounts receivable due to a management company receivable, a decrease in intergovernmental receivable as all monies were received in the current year, and current year depreciation expense for capital assets. The decrease in Liabilities was \$74,162. The increase in Unrestricted Net Assets was \$95,737.

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

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

|                                 | <b>2010</b>         | <b>Restated<br/>2009</b> | <b>Change</b>    |
|---------------------------------|---------------------|--------------------------|------------------|
| <b>Operating Revenues:</b>      |                     |                          |                  |
| State Foundation                | \$1,444,340         | \$1,307,778              | \$136,562        |
| Miscellaneous                   | 4,093               | 12,844                   | (8,751)          |
| Total Operating Revenues        | <u>1,448,433</u>    | <u>1,320,622</u>         | <u>127,811</u>   |
| <b>Non-Operating Revenues:</b>  |                     |                          |                  |
| Federal and State Grants        | 439,652             | 223,629                  | 216,023          |
| Total Revenues                  | <u>1,888,085</u>    | <u>1,544,251</u>         | <u>343,834</u>   |
| <b>Operating Expenses:</b>      |                     |                          |                  |
| Purchased Services              | 1,767,506           | 1,654,580                | 112,926          |
| Professional & Legal Fees       | 21,784              |                          | 21,784           |
| Sponsorship Fees                | 2,528               |                          | 2,528            |
| Travel                          | 529                 |                          | 529              |
| Depreciation                    | 11,558              | 22,719                   | (11,161)         |
| Other Expenses                  |                     | 7,599                    | (7,599)          |
| Total Operating Expenses        | <u>1,803,905</u>    | <u>1,684,898</u>         | <u>\$119,007</u> |
| Change in Net Assets            | 84,180              | (140,647)                |                  |
| Net Assets at Beginning of Year | (345,275)           | (204,628)                |                  |
| Net Assets at End of Year       | <u>(\$ 261,095)</u> | <u>(\$ 345,275)</u>      |                  |

The increase in revenues in fiscal year 2010 was due to receiving new federal grant stimulus monies. The increase in purchased services is due to the new federal grant stimulus expenditures.



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

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

**Capital Assets**

At June 30, 2010, capital assets of the School consisted of \$255,817 of leasehold improvements, equipment, and vehicles which were offset by \$110,494 in accumulated depreciation resulting in net capital assets of \$145,323. Current year depreciation expense was \$11,558.

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

**Debt**

At June 30, 2010, the debt obligations of the School consisted of promissory notes payable totaling \$96,409 used to provide operating and capital funding for the school in its start-up phase.

Additional details and information on the School's debt obligations can be found in note 10 to the basic financial statements.

**Contacting the School**

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

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

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

**Assets:**

**Current assets:**

Cash and cash equivalents \$28,562

**Receivables:**

Accounts receivable 13,010

Total current assets 41,572

**Non-current assets:**

Capital assets (net of accumulated depreciation) 145,323

Total assets 186,895

**Liabilities:**

**Current liabilities:**

Accounts Payable - Vendor 68,769

Payroll Requirement-Due 140,367

Intergovernmental Payable 142,445

Total current liabilities 351,581

**Non-current liabilities:**

Notes Payable 96,409

Total liabilities 447,990

**Net Assets:**

Invested in capital assets, net of related debt 133,823

Unrestricted (394,918)

Total net assets (\$261,095)

*See accompanying notes to the basic financial statements.*

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

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

|  |                           |
|--|---------------------------|
| <b>Operating revenues:</b>                 |                           |
| State Foundation                           | \$1,444,340               |
| Miscellaneous Revenue                      | 4,093                     |
| Total operating revenues                   | <u>1,448,433</u>          |
| <b>Operating expenses:</b>                 |                           |
| Purchased Services                         | 1,767,506                 |
| Professional & Legal Fees                  | 21,784                    |
| Sponsorship Fees                           | 2,528                     |
| Travel                                     | 529                       |
| Depreciation                               | 11,558                    |
| Total operating expenses                   | <u>1,803,905</u>          |
| Operating loss                             | <u>(355,472)</u>          |
| <b>Non-operating revenues:</b>             |                           |
| Federal and State Grants                   | 439,652                   |
| Total non-operating revenues               | <u>439,652</u>            |
| Change in net assets                       | <u>84,180</u>             |
| Net Assets at beginning of year (Restated) | (345,275)                 |
| Net Assets at end of year                  | <u><u>(\$261,095)</u></u> |

*See accompanying notes to the basic financial statements.*

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

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

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**Cash Flows from Operating Activities:**

|   |                  |
|---|------------------|
| Cash Received from State of Ohio                  | \$1,455,658      |
| Cash Payments to Suppliers for Goods and Services | (1,878,991)      |
| Cash Payments to Others                           | (529)            |
| Cash Received from Miscellaneous Sources          | 4,093            |
| Net Cash Used for Operating Activities            | <u>(419,769)</u> |

**Cash Flows from Noncapital Financing Activities:**

|   |                |
|---|----------------|
| Federal and State Subsidies Received                  | 439,652        |
| Net Cash Provided by Non-capital Financing Activities | <u>439,652</u> |

|  |                      |
|--|----------------------|
| Net Increase in Cash and Cash Equivalents      | 19,883               |
| Cash and Cash Equivalents at Beginning of Year | 8,679                |
| Cash and Cash Equivalents at End of Year       | <u><u>28,562</u></u> |

**Reconciliation of Operating Loss to Net Cash Used for  
Operating Activities:**

|                |           |
|----------------|-----------|
| Operating loss | (355,472) |
|----------------|-----------|

**Adjustments to Reconcile Operating loss  
to Net Cash Used for Operating Activities:**

|              |        |
|--------------|--------|
| Depreciation | 11,558 |
|--------------|--------|

**Changes in Assets and Liabilities:**

|  |                 |
|--|-----------------|
| Decrease in Intergovernmental Receivable | 11,318          |
| Increase in Accounts Receivables         | (13,010)        |
| Increase in Payroll Requirement Due      | 8,169           |
| Increase in Accounts Payable-Vendor      | 44,567          |
| Decrease in Intergovernmental Payable    | (72,142)        |
| Decrease in Accrued Contractual Labor    | (54,757)        |
| Total Adjustments                        | <u>(64,297)</u> |

|  |                           |
|--|---------------------------|
| Net Cash Used for Operating Activities | <u><u>(\$419,769)</u></u> |
|--|---------------------------|

*See accompanying notes to the basic financial statements.*

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

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

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Richard Allen Academy III Community School (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

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

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

The School operates under a self-appointing nine-member Board of Trustees (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus And Basis Of Accounting**

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

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

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

**C. Budgetary Process**

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

**D. Cash**

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

**E. Estimates**

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

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of \$1,000. The School does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

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



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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Intergovernmental Revenues**

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

**H. Operating And Non-Operating Revenues And Expenses**

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

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

**I. Accrued Liabilities Payable**

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

**Payroll Requirement Due** – salary reimbursements owed to IMR from prior fiscal year ended June 30, 2009.

**Intergovernmental Payable** – amounts owed to other governmental entities, but were not paid until the subsequent fiscal year.

**J. Federal Tax Exemption Status**

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

**K. Net Assets**

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

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

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

**3. DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School had a bank balance of \$35,535. The entire balance was covered by federal depository insurance (FDIC).

**4. RECEIVABLES**

All receivables are considered collectible in full.

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

**5. CAPITAL ASSETS**

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

| <u>Depreciable Capital Assets</u> | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|-----------------------------------|------------------------------|-------------------|------------------|---------------------------|
| Leasehold Improvements            | \$206,174                    |                   |                  | \$206,174                 |
| Equipment                         | 48,143                       |                   |                  | 48,143                    |
| Vehicles                          | 1,500                        |                   |                  | 1,500                     |
| Total                             | <u>255,817</u>               |                   |                  | <u>255,817</u>            |
| Less: Accumulated Depreciation    | (98,936)                     | (\$11,558)        |                  | (110,494)                 |
| Capital Assets, Net               | <u>\$156,881</u>             | <u>(\$11,558)</u> |                  | <u>\$145,323</u>          |

**6. RISK MANAGEMENT**

**Property And Liability** – The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School contracted with the Netherlands Insurance Company for business personal property, director and officer liability and general liability insurance. Business personal property coverage carries a \$1,000 deductible. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The Netherlands Insurance Company also provides umbrella liability coverage of \$4,000,000 per occurrence, as well as, in the aggregate.

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

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

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

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

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate, the current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum of 10 percent for plan members and 14 percent for employers. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2010, 2009, and 2008 were \$1,364, \$79, and \$8,234 respectively; which were equal to the required contributions for each year.

**B. State Teachers Retirement System**

**Plan Description** – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, and multiple-employer public retirement system. STRS Ohio provides retirement and disability benefits, and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (888) 227-7877 or by visiting STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

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

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

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

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** – For the fiscal year ended June 30, 2010, plan members were required to contribute the statutory maximum of 10.0 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The School's required contributions for pension obligations for the fiscal year ended June 30, 2010, 2009, and 2008 were \$119,563, \$91,207, and \$97,116 respectively; which were equal to the required contributions for each year.

**8. POST EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

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

The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$49, \$36, and \$2,446 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contributions to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$80, \$7, and \$388 respectively; which were equal to the required contributions for each year.

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

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

**8. POST EMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System**

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$9,197, \$7,016, and \$6,937 respectively; which were equal to the required contributions for each year.

**9. MANAGEMENT COMPANY AGREEMENT**

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

The Management Agreement provides that IMR will perform functions reasonably required to manage the operation of the School; ensure students receive services which are in accordance with applicable educational standards; make every effort to ensure the School complies with the requirements of any applicable statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction; acquire all necessary licenses and permits; maintain all student and financial records required by federal, state and local laws and regulations, as well as, protecting the confidentiality of those records; act as the School's agent in making deposits and disbursements promptly; provide for all expenses of operating the School, including lease payments for the school building, equipment and operating supplies needed in the operation of the School, from its management fee. IMR is responsible for hiring qualified teachers and all other employees which are subsequently contracted to operate the School. For fiscal year 2010, the expense related to contractual employees totaled \$989,176; \$850,777 for payroll and \$ 138,399 for benefits, respectively.

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

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

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

**9. MANAGEMENT COMPANY AGREEMENT (Continued)**

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

|                           |                    |
|---------------------------|--------------------|
| <b>Direct Expenses:</b>   |                    |
| Salary and Wages          | \$ 850,777         |
| Retirement Benefits       | 46,374             |
| Health Insurance Benefits | 93,025             |
| Instructional Materials   | 81,804             |
| Support Services          | 143,221            |
| Facility and Occupancy    | 231,290            |
| Other                     | <u>6,094</u>       |
| Total Direct Expenses     | 1,451,585          |
| Indirect Expenses         |                    |
| Total Indirect Expenses   | <u>211,029</u>     |
| Total Management Expenses | <u>\$1,662,614</u> |

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

**10. NOTES PAYABLE**

The following is a summary of the note activity for the School at June 30, 2010:

|  | <u>Beginning<br/>Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|-----------------|-----------------|---------------------------|
| Demand Promissory Note ICSMR               | \$84,909                     |                 |                 | \$84,909                  |
| Demand Promissory Note – West Park Academy | 11,500                       |                 |                 | 11,500                    |
| Total                                      | <u>\$96,409</u>              | <u>\$0</u>      | <u>\$0</u>      | <u>\$96,409</u>           |

On June 30, 2004, the school's management company, the Institute of Charter School Management and Resources Inc. (ICSMR), provided the school with a demand promissory note of \$104,652.76 to address cash flow issues arising during initial start-up phase of the School. The note stipulates that no interest will accrue if it is paid in full by June 30, 2010. A portion of the note, or the entire note, may be called at any time, upon written notice to the School. ICSMR determined no interest will accrue on this loan in 2010.

On June 30, 2004, West Park Academy, Inc. provided the school with a demand promissory note for \$11,500 for capital acquisitions during the initial start-up phase of the School. The note stipulates that no interest will accrue if it is paid in full by June 30, 2009. A portion of the note, or the entire note, may be called at any time, upon written notice to the School. West Park Academy determined no interest will accrue on this loan in 2010.

**11. CONTINGENCIES**

**A. Grants**

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

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

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

**11. CONTINGENCIES (Continued)**

**B. State Funding**

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of review after fiscal year end 2010, the Ohio Department of Education overpaid the School \$4,615. This amount is reflected as intergovernmental payable in the basic financial statements.

**C. Litigation**

There are no pending litigations that will impact the financial status of the school as of June 30, 2010.

**D. Special Audit**

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

**12. OPERATING LEASES**

The School leases its facilities from the Butler Metropolitan Housing Company under a lease agreement which began on May 1, 2003 for fiscal year 2003, and is renewable annually on July 1 as long as the School remains chartered by the Ohio Department of Education to operate a chartered public school. If the School loses their Ohio Department of Education charter, the lease terminates and the premises must be vacated within 30 days. Rental payments for the fiscal year totaled \$96,000.

**13. MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT**

As shown in the accompanying financial statements, the School had an accumulated deficit of (\$261,095) as of June 30, 2010, which includes (\$345,275) of prior year restated accumulated deficit.

To address the financial condition of the School, Management has taken steps towards increasing student enrollment, which would provide additional State funding to strengthen the School financially.

**14. RELATED PARTIES**

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

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

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

**14. RELATED PARTIES (Continued)**

The Institute of Charter School Management Resources, Inc. (ICSMR), a corporation wholly owned by the Chief Executive Officer of the School, provides and bills for consulting services to IMR, the management company for the School. The cost of the services provided to IMR by ICSMR is allocated to the School, as well as the other Richard Allen schools. See Note 10 for additional information regarding School's note payable to ICSMR.

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

**15. RESTATEMENT OF NET ASSETS**

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

| <b>Adjustments:</b>             | <u><b>June 30, 2009</b></u> | <u><b>Increase /<br/>Decrease</b></u> | <u><b>Restated<br/>June 30, 2009</b></u> |
|---------------------------------|-----------------------------|---------------------------------------|--|
| Accounts Payable                | \$38,061                    | (\$13,859)                            | \$ 24,202                                |
| Capital Assets                  | 154,268                     | 2,612                                 | 156,880                                  |
| Invested in Capital Assets, Net | 142,768                     | 2,612                                 | 145,380                                  |
| Unrestricted                    | (504,515)                   | 13,859                                | (490,656)                                |

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

|  |                           |
|--|---------------------------|
| Net Assets at Beginning of Year          | (\$361,746)               |
| Net Accounting Change                    | <u>16,471</u>             |
| Restated Net Assets at Beginning of Year | <u><u>(\$345,275)</u></u> |

The restated net assets at beginning of year in amount of (\$345,275) was reflected on the basic financial statements.

**16. PURCHASED SERVICES**

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

|                             |                           |
|-----------------------------|---------------------------|
| Management Services         | \$1,637,252               |
| Certificated Retirement     | 128,760                   |
| Non-Certificated Retirement | <u>1,494</u>              |
|                             | <u><u>\$1,767,506</u></u> |

**17. NONCOMPLIANCE**

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





# Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the Richard Allen Academy III Community School, Montgomery County, (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 18, 2011, wherein we noted that we were unable to apply procedures to determine whether restated net assets in the financial statements as of July 1, 2009 were fairly presented, also the financial statements excluded revenue collected as fees and related expenditures by the school for after school program, Saturday school, books and materials fees. We also noted that the School has an accumulated deficit of \$261,095 as of June 30, 2010 and a special audit was initiated by the Auditor of State. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2010-015 and 2010-016 described in the accompanying schedule of findings to be significant deficiencies.

**Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2010-001 through 2010-012.

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

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

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



**Dave Yost**  
Auditor of State

November 18, 2011

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2010**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2010-001**

**NONCOMPLIANCE**

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

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

**Official's Response:** See page 37.

**FINDING NUMBER 2010-002**

**NONCOMPLIANCE/FINDING FOR RECOVERY- REPAID WHILE UNDER AUDIT**

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

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

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

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

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

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

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

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

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

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

**FINDING NUMBER 2010-003**

**NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT**

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

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

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

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

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

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

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

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

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

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

**FINDING NUMBER 2010-004**

**NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT**

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

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

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

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

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

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

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

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

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

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

**FINDING NUMBER 2010-005**

**NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT**

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

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

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

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

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

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

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

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

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

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

**FINDING NUMBER 2010-006**

**NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT**

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

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

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

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

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

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

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

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

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

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

**FINDING NUMBER 2010-007**

**NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT**

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



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

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

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

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

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

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

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

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

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

**FINDING NUMBER 2010-008**

**NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT**

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

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

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

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

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

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

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

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

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

**FINDING NUMBER 2010-009**

**NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT**

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

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

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

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

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

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

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

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

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

#### FINDING NUMBER 2010-010

##### NONCOMPLIANCE

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

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

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

**Official's Response:** See page 38.

#### FINDING NUMBER 2010-011

##### NONCOMPLIANCE

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

During fiscal year 2010, the Schools paid \$1,636,443 to IMR for management fee and school related expenses. There were no billing statements or support for amounts paid and transferred to IMR for fiscal year 2010. During fiscal year 2010 the School received \$1,680,402 in "total revenues." 10% or \$168,040 of these revenues were due to the IMR for management fee. 87% of the remaining \$1,512,362 amounting to \$1,315,755 were due to IMR for "School Expense Fees." Based on the management agreement, total payment to IMR for management company and school expense fees should have been \$1,483,795. The management company was overpaid \$152,648.

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

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

**Official's Response:** See page 38.

## FINDING NUMBER 2010-012

### NONCOMPLIANCE/MATERIAL WEAKNESS

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

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

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

#### Statement of Net Assets:

- The School reported \$10,832 in Accounts Payable as Cash and \$10,623 in Accounts Receivable as Cash. The financial statements have been adjusted for this misclassification.
- The School reported \$8,169 of accounts payable as payroll requirement due. The financial statements were not adjusted for this reclassification.
- Capital Assets were understated by \$5,226. The financial statements have been adjusted for this error.
- Intergovernmental Payable was overstated by \$76,758. The financial statements have been adjusted for this error.

#### Statement of Revenues, Expenses and Changes in Net Assets:

- \$98,416 in State Fiscal Stabilization Funds (SFSF) and \$91,813 in School Lunch revenues were reported as operating revenues and should be reported as non-operating revenues. The financial statements have been adjusted for this reclassification of revenues.
- \$167,999 in Management Service expenditures should have been reported as Purchased Services. The financial statements have been adjusted for this reclassification of expenditures.
- Depreciation expense was overstated \$2,614. The financial statements have been adjusted for this error.
- Net Assets beginning of year was understated \$2,612. The financial statements have been adjusted for this error.
- State Foundation Revenues were understated by \$76,758. The financial have been adjusted for this error.

#### Statement of Cash Flows:

- Cash Flows from Operating Activities was overstated \$181,836 and Cash Flows from Noncapital Financing Activities was understated by \$190,229. The net difference was due to audit adjustment for cash noted above.

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

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

**FINDING NUMBER 2010-012  
(Continued)**

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

**Official's Response:** See page 38.

**FINDING NUMBER 2010-013**

**MATERIAL WEAKNESS – BANK RECONCILIATIONS**

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

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

- The reconciliations included items on the outstanding checks that were not true outstanding checks. The School removed these items from its outstanding check list in July 2011.
- The School's June 30, 2010 bank reconciliation included \$209 in reconciling items that were actually payables or receivables. \$10,832 in negative reconciling items to cash were made for payments made by the management company. The School would eventually reimburse the management company for the expenditures. The reconciliation also included \$10,623 in positive adjustments to cash for 1) Management company expenditures that were paid by the School and 2) School's receipts that were actually deposited in the management company's accounts. Audit adjustments were required to correctly present the cash, receivable and payable balances.

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

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

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

**Official's Response:** See page 38.

#### **FINDING NUMBER 2010-014**

##### **MATERIAL WEAKNESS – PROPER REPORTING OF FINANCIAL ACTIVITY**

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

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

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

**Official's Response:** See page 38.

#### **FINDING NUMBER 2010-015**

##### **SIGNIFICANT DEFICIENCY – FOOD SERVICE ACTIVITY**

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

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

**FINDING NUMBER 2010-015  
(Continued)**

- 4) Daily lunch summary sheets lacked a reconciliation to determine if the amount collected reconciled to the amount that should have been collected.

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

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

**Official's Response:** See page 39.

**Finding Number 2010-016**

**SIGNIFICANT DEFICIENCY – CAPITAL ASSETS**

The School did not follow the Governing Authority Manual's approved capital asset policy. The policy stated:

1. The school's capital asset policy establishes a capital asset accounting system that will contain sufficient data to permit the preparation of fiscal year end financial statements in accordance with Generally Accepted Accounting Principles
2. An asset is a capital asset if it has a useful life of one year or more and the cost of the asset is greater than \$1,000.00.
3. Assets will be depreciated using straight-line depreciation. Estimated life for capital assets shall follow ASBO (Association of School Business Officials guidelines).
4. The following information shall be maintained for all capital assets:
  - A. description
  - B. asset classification
  - C. purchase price
  - D. vendor
  - E. date purchased or leased
  - F. accumulated depreciation
  - G. method of disposal

The capital asset listing included two maintenance items from a prior year that did not extend the useful life of an asset and should not be included as a capital asset. The listing also included 34 items that did not meet the approved capitalization threshold of \$1,000. This resulted in the beginning capital asset balance being overstated by \$40,073, the beginning accumulated depreciation balance being overstated by \$42,687, and the fiscal year 2010 depreciation expense being overstated by \$2,614. Therefore, capital assets were understated on the financial statements by \$5,226. These errors were adjusted in the financial statements and related note disclosures. The School could not provide the Association of School Business Officials guidelines for capital asset estimated lives. The capital asset useful lives noted in the School's note disclosure was not in agreement with the useful lives that was actually utilized to calculate depreciation. In addition, the capital asset listing did not contain the vendor or the date purchased/leased.

The School should appropriately track and report capital assets in accordance with the approved capital asset policy as stated in the Governing Authority Manual.

**Official's Response:** See page 39.



**RICHARD ALLEN ACADEMY III  
OFFICIALS RESPONSE**

**FINDING NUMBER 2010-001**

Response

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

**FINDING NUMBER 2010-002**

Response

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

**FINDING NUMBER 2010-003**

Response

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

**FINDING NUMBER 2010-004**

Response

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

**FINDING NUMBER 2010-005**

Response

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

**FINDING NUMBER 2010-006**

Response

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

**FINDING NUMBER 2010-007**

Response

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

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

**FINDING NUMBER 2010-008**

Response

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

**FINDING NUMBER 2010-009**

Response

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

**FINDING NUMBER 2010-010**

Response

Jeanette Harris will reimburse RAAIII in the amount of \$164.

**FINDING NUMBER 2010-011**

Response

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

**FINDING NUMBER 2010-012**

Response

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

**FINDING NUMBER 2010-013**

Response

RAAIII has developed policies and procedures to provide for monthly bank reconciliations.

**FINDING 2010-014**

Response

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

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

**FINDING 2010-015**

Response

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

**FINDING 2010-016**

Response

Since the audit period, RAAIII has taken action to appropriately track and report capital assets in accordance with Governing Authority policy.

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

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

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b> |
|----------------|--|------------------|---|
| 2009-001       | Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Dixie Allen        | No               | Repeated as Finding 2010-002  |
| 2009-002       | Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Gary Persons       | No               | Repeated as Finding 2010-003  |
| 2009-003       | Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Keisha Jordan      | Yes              | Not a Governing Board Member in 2010  |
| 2009-004       | Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Lonnie Norwood     | No               | Repeated as Finding 2010-005  |
| 2009-005       | Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Mia Wortham-Spells | No               | Repeated as Finding 2010-009  |
| 2009-006       | Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Wanda Mills        | No               | Repeated as Finding 2010-007  |
| 2009-007       | Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Felix O’Aku        | Yes              | Not a Governing Board Member in 2010  |
| 2009-008       | Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Michael McCormick  | No               | Repeated as Finding 2010-006  |
| 2009-009       | Ohio Rev. Code Section 3314.025 – Finding for Recovery Board Member Pay – Laquetta Cortner   | No               | Repeated as Finding 2010-008  |

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

|          |   |     |   |
|----------|---|-----|---|
| 2009-010 | Ohio Rev. Code Section 149.351(A) – Finding for Recovery - Unsupported and Improper Expenditure                 | Yes |   |
| 2009-011 | Ohio Rev. Code Section 149.351(A) – Finding for Recovery Unsupported and Improper Expenditure                   | No  | Prior finding for recovery in the amount of \$587 was not repaid. |
| 2009-012 | Ohio Rev. Code Section 149.351(A) – Lack of Supporting Documentation for Expenditures                           | Yes |   |
| 2009-013 | Ohio Rev. Code Section 3314.01(B) and Ohio Rev. Code Section 3314.08(H)(1) – Tuition charge for Saturday School | No  | Repeated as Management Letter citation                            |
| 2009-014 | Ohio Rev. Code Section 3314.02(E)(2) – Board Membership   | No  | Repeated as Finding Number 2010-001                               |
| 2009-015 | Ohio Rev. Code Section 3314.024 – Management Company Note Disclosure  | Yes |   |
| 2009-016 | Bank Reconciliation Monitoring  | No  | Repeated as Finding Number 2010-013                               |
| 2009-017 | Food Service Activity   | No  | Repeated as Finding Number 2010-015                               |
| 2009-018 | Allocation of Expenditures  | Yes |   |
| 2009-019 | Proper Reporting of Financial Activity  | No  | Repeated as Finding Number 2010-014                               |
| 2009-020 | Equity Reporting  | Yes |   |
| 2009-021 | Accounts Payable  | Yes |   |
| 2009-022 | Contracts   | Yes |   |



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Governing Board:

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

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

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

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

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

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

**Dave Yost**  
Auditor of State

November 18, 2011





# Dave Yost • Auditor of State

**RICHARD ALLEN ACADEMY III COMMUNITY SCHOOL**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 21, 2012**