OAK TREE MONTESSORI, INC.
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

OAK TREE MONTESSORI, INC.
HAMILTON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Oak Tree Montessori, Inc.
Hamilton County
20 East Central Parkway
Cincinnati, Ohio 45202

To the Board of Trustees:

We have audited the accompanying Balance Sheets of Oak Tree Montessori, Inc., Hamilton County, Ohio (the School), as of June 30, 2001 and 2000, and the related Statements of Revenues, Expenses, and Changes in Retained Earnings/Accumulated Deficit, and the Statements of Cash Flows for the years then ended. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2001 and 2000, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States *of* America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2002 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 grants for the year ended June 30, 2001. We previously issued our report dated December 8, 2000, 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 grants for the year ended June 30, 2000. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

April 17, 2002

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OAK TREE MONTESSORI, INC.

Balance Sheet

As of June 30, 2001 and 2000

		2001	2000
Assets			
Current assets:			
Cash	$	20,554	41,175
Accounts receivable		28,623	18,210
Prepaid rent		2,550	-
Intergovernmental receivable		-	50,000
Total current assets		51,727	109,385
Non-current assets:			
Furniture and equipment, net		8,087	11,421
Total assets	$	59,814	120,806
Liabilities and Fund Equity			
Current liabilities:			
Accounts payable	$	3,602	7,896
Accrued wages and benefits		32,706	21,602
Deferred revenue		4,948	-
Intergovernmental payable		13,828	14,095
Compensated absences payable		2,854	6,081
Total current liabilities		57,938	49,674
Total liabilities		57,938	49,674
Fund Equity:			
Contributed capital		9,570	9,570
Retained earnings/accumulated deficit			
Reserved for federal grant		-	50,000
Unreserved		(7,694)	11,562
Total fund equity		1,876	71,132
Total liabilities and fund equity	$	59,814	120,806

The notes to the financial statements are an integral part of this statement.

OAK TREE MONTESSORI, INC.

Statement of Revenues, Expenses and Changes in Retained Earnings

For the Years Ended June 30, 2001 and 2000

		2001	2000
Operating revenues:			
Charges for services	$	186,848	115,453
Food service		15,728	2,987
Foundation payments		258,978	218,533
Disadvantaged pupil impact aid		68,886	90,742
State special education program		41,949	33,684
Other		11,003	8,738
Total operating revenues		583,392	470,137
Operating expenses:			
Salaries		424,532	307,522
Fringe benefits		167,997	117,701
Purchased services:			
Rent		30,600	28,369
Contract services		22,446	17,465
Utilities		7,610	5,896
Field trip		4,854	4,899
Parking		6,431	4,394
Other purchased services		30,986	20,545
Supplies and materials		41,618	41,971
Lunch costs		20,740	-
Depreciation		3,334	3,334
Other		506	6,604
Total operating expenses		761,654	558,700
Operating loss		(178,262)	(88,563)
Non-operating revenues:			
State grants		78,457	3,000
Federal grants		29,549	88,345
Contributions		1,000	879
Total non-operating revenues		109,006	92,224
Net income (loss)		(69,256)	3,661
Retained earnings at beginning of year		61,562	57,901
Retained earnings/accumulated deficit at end of year		(7,694)	61,562

The notes to the financial statements are an integral part of this statement.

OAK TREE MONTESSORI, INC.

Statement of Cash Flows

For the Years Ended June 30, 2001 and 2000

		2001	2000
Cash flows from operating activities:			
Operating loss	$	(178,262)	(88,563)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		3,334	3,334
Changes in assets and liabilities:			
Accounts receivable		(10,413)	(15,221)
Prepaid rent		(2,550)	-
Accounts payable		(4,294)	(896)
Intergovernmental payable		(267)	7,489
Accrued wages and benefits		11,104	(898)
Deferred revenue		4,948	-
Compensated absences payable		(3,227)	(1,614)
Net cash used for operating activities		(179,627)	(96,369)
Cash flows from noncapital financing activities:			
Federal and state grants		158,006	41,345
Contributions		1,000	879
Net cash provided by noncapital financing activities		159,006	42,224
Cash flows from capital and related financing activities:			
Acquisition of capital assets		-	(7,099)
Net cash used for capital and related financing activities		-	(7,099)
Net decrease in cash		(20,621)	(61,244)
Cash beginning of year		41,175	102,419
Cash end of year	$	20,554	41,175

The notes to the financial statements are an integral part of this statement.

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NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

Oak Tree Montessori, Inc. (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The School, which is part of the state's education program, is independent of any school district. 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.

Pauline Childs, the developer, initially proposed the creation of the School to the Ohio Department of Education, the sponsor, on March 5, 1998. The Ohio Department of Education approved the proposal and entered into a contract with the School, which provided for the commencement of operations on July 1, 1998.

The School operates under a seven-member Board of Trustees that is selected by a vote of the parents/guardians of students and faculty of the School. The Board is responsible for carrying out provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers.

The reporting entity is comprised of the primary government. The School follows the guidelines of Governmental Accounting Standards Board Statement No. 14 "The Financial Reporting Entity".

The primary government of the School consists of all funds and departments that comprise the legal entity of the School. This includes general operations as well as preschool and aftercare programs. The preschool and aftercare programs are not operated under the school charter. However, School employees staffed these programs which are funded by charges for services and thus, these programs are presented in the combined financial statements.

BASIS OF PRESENTATION – FUND ACCOUNTING

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 services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Oak Tree Montessori, Inc. are 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, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The significant accounting policies followed in the preparation of these financial statements are summarized below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by 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 balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total assets.

Basis of accounting refers to when revenues and expenditures or 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 incurred.

BUDGETARY PROCESS

The Board adopted a budget as required by the school charter. The School had total expenditures for Salaries, Purchased Services, Materials and Supplies, and Capital Outlay that exceeded total budgeted amounts.

CASH

All cash received by the School is kept in one of two separate accounts. The general checking account is used for the charter school, preschool program and aftercare program. In addition, the School also uses a savings account. Total cash held at year-end is presented as “cash” on the accompanying balance sheet.

FIXED ASSETS AND DEPRECIATION

Fixed assets are capitalized at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

estimated fair market value on the date received. Assets valued at less than $1,000 are not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School does not possess any infrastructure.

Depreciation of furniture and equipment is computed using the straight-line basis over an estimated useful life of five years.

ACCRUED LIABILITIES

Obligations, such as accrued wages and benefits, are reported as liabilities in the accompanying financial statements.

COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

CONTRIBUTED CAPITAL

Contributed Capital represents donations of furniture and equipment from governments and private sources provided to the School.

Contributed Capital at June 30, 2001 and June 30, 2000 was $9,570. There were no increases to Contributed Capital in fiscal year 2001 and fiscal year 2000.

ACCOUNTING ESTIMATES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERGOVERNMENTAL REVENUES

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. The operating revenue from these programs is recognized in the accounting period in which all eligibility requirements have been met.

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

CHARGES FOR SERVICES

The School charges students tuition to participate in the preschool and aftercare programs. The operating revenue from these programs is recognized when earned and measurable.

NOTE 3 - DEPOSITS

At June 30, 2001, the carrying amount of the School's deposits was $20,554 and the bank balance was $28,139, which was covered by federal depository insurance.

At June 30, 2000, the carrying amount of the School's deposits was $41,175 and the bank balance was $44,964, which was covered by federal depository insurance.

NOTE 4 – FIXED ASSETS

A summary of the fixed assets at June 30, 2001:

Furniture and equipment	$16,669
Less: accumulated depreciation	(8,582)
Net fixed assets	$ 8,087

NOTE 5 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic 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 state statute per Chapter 3309 of the Ohio Revised

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS.

That report may be obtained by writing to School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling 614-222-5853.

Plan members are required to contribute 9% of their annual covered salary and the School is required to contribute 14 %; for fiscal year 2001, 5.5% was the portion to fund pension obligations. The contribution rates are not determined actuarially but are established by SERS' retirement board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The School's required contribution for pension obligations to SERS for the fiscal year ended June 30, 2001, was $8,643 and for the fiscal year ended June 30, 2000 was $2,062. The unpaid contribution for fiscal year 2001 and 2000 is recorded as a liability.

State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basis retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the School is required to contribute 14%; 6 % was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed the statutory maximum rates of 10% for members and 14% for employers. The School's required contribution for pension obligations to STRS for the fiscal year ended June 30, 2001 was $14,706, and for fiscal year ended June 30, 2000 was $11,020. The unpaid contribution for fiscal year 2001 and 2000 is recorded as a liability.

NOTE 6 - POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute and are funded on a pay-as-you-go basis.

NOTE 6 - POSTEMPLOYMENT BENEFITS (Continued)

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the years ended June 30, 2001 and 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the School, this amount was approximately $18,300 and $17,700, respectively, during the 2001 and 2000 fiscal years. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was $3,419 million at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were $283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For the 2001 and 2000 fiscal years, employer contributions to fund health care benefits were 8.45% and 6.30%, respectively, of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal years 2001 and 2000, the minimum pay has been established at $12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the year ended June 30, 2000 were $140.7 million and the target level was $211.0 million. At June 30, 2000, SERS' net assets available for payment of health care benefits was $252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School, this amount equaled approximately $13,300 and $6,700, respectively, during the 2001 and 2000 fiscal years.

NOTE 7 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from school policies and State laws. Classified twelve-month employees earn five weeks of vacation per year that must be used by the end of the contract term. Teachers and administrators who are not on a twelve-month contract do not earn vacation time. Teachers, administrators, and classified employees earn five sick days per year and five personal days per year. Sick leave and personal leave must be used during the year.

NOTE 7 – OTHER EMPLOYEE BENEFITS (Continued)

Life Insurance

The School provides life insurance coverage in the amount of $25,000 to all employees through a private carrier.

NOTE 8 - RISK MANAGEMENT

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 years 2001 and 2000, the School contracted with General Accident Insurance Company of America for property and general liability insurance. There is a $1,000 deductible with a 100% blanket, all risk policy. Settled claims have not exceeded this commercial coverage in the past two years.

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated based on the monthly gross payroll and a factor determined by the State. The School has contracted with a private carrier to provide medical and dental benefits to employees and their dependents.

NOTE 9 – SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of April 17, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001 asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

NOTE 9 – SCHOOL FUNDING DECISION (Continued)

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School is unable to determine what effect, if any, this ongoing litigation will have on its future State funding and on its financial operations.

NOTE 10 – CONTINGENT LIABILITIES

Federal and State Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2001.

Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e. Charter) Schools program violates the state Constitution and state laws. The effect of this suit, if any, on the School is not presently determinable.

NOTE 11 – RELATED PARTY

The Executive Director of the School is related to two Board members. Her salary amounted to $53,000 and $50,000, respectively, for the years ended June 30, 2001 and 2000.

NOTE 12 – OPERATING LEASE

During fiscal year 2000 and 2001, the School leased space from Cincinnati Union Bethel. The lease payments were $2,250 per month, or $27,000 per year. The lease was entered into in August of 1998 with an option for two one-year renewals.

In October of 2001, the School entered into a new lease agreement for a term of five years.

NOTE 12 – OPERATING LEASE (Continued)

Period	Annual Rent	Monthly Rent	Rent/SF
Year 1	$119,000	$ 9,916	6.96
Year 2	146,000	12,166	8.54
Year 3	171,000	14,250	10.00
Year 4	180,000	15,000	10.53
Year 5	190,000	15,833	11.11

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Oak Tree Montessori, Inc.
Hamilton County
20 East Central Parkway
Cincinnati, Ohio 45202

To the Board of Trustees:

We have audited the financial statements of Oak Tree Montessori, Inc., Hamilton County, Ohio (the School), as of and for the year ended June 30, 2001, except for Schedule of Findings item 2001-10431-001, which we audited from May 1, 2000 through February 28, 2002, and have issued our report thereon dated April 17, 2002. 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 *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-10431-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated April 17, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2001-10431-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable condition described above is not a material weakness.

This report is intended for the information and use of the audit committee, management, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 17, 2002

OAK TREE MONTESSORI, INC.
HAMILTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001

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

FINDING NUMBER 2001-10431-001

Reportable Condition/Finding for Recovery

In January of 2001, the Board established by resolution a petty cash fund which provides for petty cash in the amount of $100 during school months and $300 during summer months. School personnel refer to this fund as the "cash fund" because it is used for purposes that are broader than what a petty cash fund is typically used for. The fund is maintained by and accounted for by the Assistant Director.

The School's current practice is to add or commingle its daily collections of tuition and other receipts to the petty cash fund and make bank deposits from the fund as deemed necessary by the Assistant Director. The practice of adding daily collections to the petty cash fund could result in errors or irregularities in the accounting for daily receipts and/or petty cash transactions. In addition, the practice of not making regular deposit of monies results in delays in posting and recording and increases the likelihood of theft of such monies.

Petty cash should at all times equal the designated and constant amount which has been established by the petty cash resolution. That amount is comprised of the cash on hand plus the receipts and/or invoices that have been submitted to the petty cash fund for reimbursement.

During the period from May 1, 2000 through February 28, 2002, management found that monies were missing from the School's petty cash fund. The total amount missing as a result of all instances was $645. The $645 consists of the following:

a. On May 1, 2000, a $150 theft of petty cash occurred.

b. On January 24, 2001, a $150 theft of petty cash occurred.

c. On February 15, 2002, a $250 theft of petty cash occurred.

d. On February 28, 2002, a $95 theft of petty cash occurred. Also on this date, the School's payroll checks were stolen from the petty cash drawer.

Management has stated that the monies and payroll checks were stolen from the desk drawer of the Assistant Director during a period of time in which the drawer was unlocked and no one was present in the Assistant Director's office to safeguard the monies. Police reports were made but no monies have been recovered. The School incurred $165 of bank service charges as a result of making stop-payments on the payroll checks.

Tuition receipts and all other cash receipts are routinely placed in the School's petty cash fund prior to deposit. The petty cash fund is held in the office desk drawer of the School's Assistant Director. During the day, the desk drawer is unlocked and sometimes there is no member of School personnel in the office to safeguard the monies.

FINDING NUMBER 2001-10431-001
(Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code, Section 117.28, regarding public monies collected but unaccounted for, a Finding for Recovery in favor of Oak Tree Montessori, Inc., in the amount of $645 is issued against Ms. Ellen Hammond, Assistant Director. We recommend that the

School implement stringent control procedures to assure that cash is at all times protected and safeguarded from theft. Such controls may include holding petty cash in a locked safe or a policy requiring that the School office be locked whenever school personnel are not present.

STATE OF OHIO
OFFICE OF THE AUDITOR
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OAK TREE MONTESSORI, INC.

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 9, 2002