



**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

REGULAR AUDIT

FOR THE PERIOD ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

ISUS Trade & Technology Prep Community School
Montgomery County
140 North Keowee Street
Dayton, Ohio 45402

To the Board of Governance:

We have audited the accompanying balance sheet of ISUS Trade & Technology Prep Community School (the School), Montgomery County, as of June 30, 2001, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows for the year 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 ISUS Trade & Technology Prep Community School, Montgomery County, as of June 30, 2001, and the results of its operations and its cash flows for the year 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 February 19, 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. That report is 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

February 19, 2002

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**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2001**

ASSETS

Current Assets:

Cash	\$54,342
Account Receivable	<u>759,022</u>
Total Current Assets	813,364

Non-Current Assets:

Fixed Assets (Net of Accumulated Depreciation)	<u>6,442</u>
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Total Assets	<u><u>819,806</u></u>
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LIABILITIES AND EQUITY

Liabilities:

Accounts Payable	479,186
Accrued Wages and Benefits Payable	82,984
Compensated Absences Payable	16,114
Loan Payable	<u>500</u>
Total Liabilities	578,784

Fund Equity:

Retained Earnings	<u>241,022</u>
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Total Liabilities and Fund Equity	<u><u>\$819,806</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2001**

Operating Revenues:	
State Foundation	\$788,619
Disadvantage Pupil Impact Aid	7,171
Miscellaneous	<u>500</u>
Total Operating Revenues	<u>796,290</u>
Operating Expenses:	
Salaries	1,428,107
Fringe Benefits	106,659
Purchased Services	355,540
Materials and Supplies	74,473
Depreciation	1,244
Other Operating Expenses	<u>85,849</u>
Total Operating Expenses	<u>2,051,872</u>
Operating Loss:	<u>(1,255,582)</u>
Non-Operating Revenues:	
Federal Grants	121,308
ISUS Revenue - Note 11	<u>1,625,115</u>
Total Non-Operating Revenues	<u>1,746,423</u>
Net Income	490,841
Accumulated Deficit at Beginning of Year	<u>(249,819)</u>
Retained Earnings at End of Year	<u><u>\$241,022</u></u>

he accompanying notes to the financial statements are an integral part of this statement

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001**

Increase in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$795,790
Cash Payments to Employees for Services	(1,379,510)
Cash Payments on Suppliers for Goods and Services	<u>(289,887)</u>

Net Cash Used For Operating Activities (873,607)

Cash Flows from Noncapital Financing Activities:

ISUS Revenue	813,827
Intergovernmental Revenue	<u>121,308</u>

Net Cash Provided By Noncapital Financing Activities 935,135

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(7,686)
Proceeds of Loan	<u>500</u>

Net Cash Used For Capital and Related Financing Activities (7,186)

Net Increase in Cash 54,342

Cash at Beginning of Year 0

Cash at End of Year 54,342

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

Operating Loss (1,255,582)

**Adjustments to Reconcile Operating Loss to Net
Cash Used For Operating Activities:**

Depreciation 1,244

Change in Assets and Liabilities:

Decrease in Prepaid Items	10,464
Increase in Accounts Payable	329,766
Increase in Accrued Wages and Benefits Payable	38,607
Increase in Compensated Absences Payable	<u>1,894</u>

Net Cash Used For Operating Activities (\$873,607)

On February 8, 2001, the parent corporation (ISUS) determined that it will forgive the \$52,266 loan reflected in prior year's financial statements.

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

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**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

ISUS Trade and Technology Prep Community School (The School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 as an organization operated exclusively for educational purposes. The corporation is a subsidiary of its parent, Improved Solutions for Urban Systems, Inc. (ISUS), and is tax exempt 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.

Specifically, the mission of the School is to advance youth through a program of academic education, employment training, personal and leadership development, and service learning. Students will graduate with the knowledge, skills and attitudes required for employment in the building trades industry. The School is a degree granting high school and serves students from age sixteen through twenty-one.

The School, which is part of the state's education program, is independent of any school district. It may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school.

The creation of the School was initially proposed to the Ohio Department of Education, the sponsor, by the developers of the School in April 1999. The Ohio Department of Education approved the proposal and entered into a contract with the developers effective July 1, 1999. The first school year, for students, began on September 15, 1999.

The school operates under a seven member Board of Trustees who also serve as members of the Board of Trustees of the parent corporation. All the board members are also on the board for ISUS Trade & Technology Prep Community School of Cincinnati. The Board is ultimately responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional facility that was staffed by ten certificated counseling and teaching personnel, ten non-certificated instructional staff persons, and nine non-certificated administrative staff. Approximately one hundred ninety students are being served during the 2000-2001 school year.

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 more significant of the School's accounting policies are described below:

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment 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 balance sheet. Operating statements present increases (e.g. revenues) and decreases (e.g. 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 used 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 the Ohio Revised Code Chapter 5705, unless specifically provided by the School's contract with its sponsor. The contract between ISUS Trade and Technology Prep Community and its sponsor, Ohio State Board of Education, does not prescribe a budgetary process for the School.

D. Cash and Cash Equivalents

The School's fiscal officer accounts for all monies received by the School. To improve cash management, all cash received from the State of Ohio is electronically transferred into an account. The School had no investments during the period.

E. Estimates

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

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation is computed using the straight-line method over an estimated useful life of ten years.

G. Intergovernmental Revenue

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues 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.

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

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the school was awarded \$50,000 to offset start-up costs of the School. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for the 2001 school year totaled \$917,098.

H. 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. The School does not record a liability for sick leave benefits because its policy is not to pay out accumulated sick leave balances upon termination of employment.

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2001, are reported as accrued liabilities in the accompanying financial statements.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001
(Continued)**

3. CASH AND DEPOSITS

The following information classifies deposits by category of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At June 30, 2001, the School had a cash balance of \$54,342, which is presented as cash and cash equivalents in the accompanying financial statements. The bank balance of the School's deposits was \$59,956. Of the bank balance \$59,956 was covered by federal deposit insurance.

4. RECEIVABLES

Receivables at June 30, 2001 consisted of amounts due the School from the parent company ISUS for state, federal, and other sources received by ISUS that are passed through to the School. These receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds. The amount due from ISUS at June 30, 2001 is \$759,022.

5. FIXED ASSETS

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

Furniture & Equipment	\$7,686
Less: Accumulated Depreciation	<u>(1,244)</u>
Net Fixed Assets	<u>\$6,442</u>

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended 2001, the School contracted with The Cincinnati Insurance Company for property and general liability insurance.

The School leased a facility on which they were named insureds with the parent company corporation, with coverage provided by The Cincinnati Insurance Company. Coverage included personal property \$127,000; employee dishonesty \$300,000; and general liability \$1,000,000 with an unlimited aggregate.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001
(Continued)**

6. RISK MANAGEMENT (Continued)

B. Workers' Compensation

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

C. Employee Medical, Dental and Vision Benefits

The School has contracted with a private carrier to provide employee medical/surgical benefits. The School pays 85% of the monthly premium and the employee is responsible for the remaining 15%. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001 and 2000 were \$23,597, and \$42,301, respectively; 100 percent has been contributed for fiscal year 2001 and 100 percent for fiscal year 2000. There is no unpaid contributions for fiscal year 2001.

B. 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. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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 43215-3371.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001 and 2000 were \$40,802 and \$40,638, respectively; 100 percent has been contributed for fiscal year 2001 and 100 percent for fiscal year 2000. There is no unpaid contribution for fiscal year 2001.

8. POST-EMPLOYMENT 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 monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$19,327 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. 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 fiscal years of qualifying service credit, and to 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 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$55,060.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent 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 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. STATE 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 February 19, 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.

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 District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

10. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of 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.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001
(Continued)**

10. CONTINGENCIES (Continued)

B. Pending Litigation

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

C. 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.

11. RELATED PARTY TRANSACTIONS

A. Related Party

One member of the Board of Trustees of ISUS Trade and Technology Prep Community School is the sole principal of a for profit corporation with whom the parent corporation, Improved Solutions for Urban Systems, Inc., contracts for services. The services provided extend to the School. During the fiscal year 2001, the School paid \$402 to this Board member for contract services.

B. ISUS Revenue

The School received \$1,625,115 in revenue from its parent corporation (ISUS) for the purpose of covering certain salaries, fringe benefits, purchased services, materials & supplies, and capital outlay expenses that were associated with state and federal grants were applied for and received under the name of the parent corporation, ISUS, who had overall responsibility for complying with grant requirements. ISUS provided portions of the total grant awards to the School as a benefit.

The revenue and expenses associated with this transaction type have been recorded on the basis of accounting used for reporting purposes, as described in Note 2.

The following lists the sources of the \$1,625,115 state and federal grant benefits and other sources received by the School.

State Grants

Ohio Department of Development	\$118,739
Ohio Department of Education	120,100
Jobs and Family	<u>1,065,902</u>
Total State Grants	<u>\$1,304,741</u>

Federal Grants

Americorp	\$55,708
YouthBuild	<u>142,400</u>
Total Federal Grants	<u>\$198,108</u>

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2001
(Continued)**

11. RELATED PARTY TRANSACTIONS (Continued)

Other Sources

Sinclair Community College	\$70,000
Forgiven ISUS Loan	<u>52,266</u>
Total Other Sources	<u>\$122,266</u>

Total ISUS Revenue	<u>\$1,625,115</u>
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C. Loan Forgiven

On February 8, 2001, the parent corporation (ISUS) determined that it will forgive the \$52,266 loan reflected in prior year's financial statements. The loan was to offset the expenditures of the school's initial year of operation. There is no interest on this loan.

D. Accounts Payable

Included in the accounts payable balance is \$294,189 due to the parent company, ISUS Corporation for reimbursement of administrative employees payroll, office supplies, health insurance, and lease payments.

12. OPERATING LEASE

During fiscal year 2001, the School leased a building and office facility under an operating lease ending June 30, 2001. Total lease payments were \$77,989 for the year ended June 30, 2001. The basis for determining the payment was the square footage occupied by the School. Additionally, the School was responsible for their portion of rent, utilities, telephone, and maintenance costs. The lease agreement contains an option for renewal, although not necessarily with identical provisions, for succeeding years. The lease was renewed for the year ended June 30, 2002. As a result, the lease payment will be \$120,000 a year, which includes utilities, telephone service, and janitorial service.

13. PURCHASED SERVICES

For the fiscal period July 1, 2000 through June 30, 2001, purchased service expenses were payments for services rendered by various vendors as follows:

Professional/Technical Services	\$16,777
Property Services	2,272
Travel/Meeting Expenses	176
Communications	13,554
Operating lease	77,989
Contracted Craft/Trade Services	76,247
Sinclair College Tuition	<u>168,525</u>
Total	<u>\$355,540</u>

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

ISUS Trade & Technology Prep Community School
Montgomery County
140 North Keowee Street
Dayton, Ohio 45402

To the Board of Governance:

We have audited the financial statements of ISUS Trade & Technology Community Prep School (the School) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 19, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School, in a separate letter dated February 19, 2002.

ISUS Trade & Technology Prep
Community School
Montgomery County
Report of Independent Accountants on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

February 19, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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ISUS TRADE & TECHNOLOGY PREP 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
APRIL 2, 2002**