



Mary Taylor, CPA
Auditor of State

TECHCON INSTITUTE
MONTGOMERY COUNTY

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

TechCon Institute Community School
Montgomery County
2075 Shiloh Springs Rd. Suite 100
Dayton, Ohio 45426

To the Board of Directors:

We have audited the accompanying basic financial statements of TechCon Institute Community School, Montgomery County, (the Institute), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TechCon Institute Community School, Montgomery County, as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2007, on our consideration of the Institute'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.

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Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

April 19, 2007

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The discussion and analysis of TechCon Institute Community School's (the Institute) financial performance provides an overall review of the Institute's financial activities for the period ended June 30, 2006. The intent of this discussion and analysis is to look at the Institute's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Institute's financial performance.

Financial Highlights

- Key financial highlights for the fiscal year ended June 30, 2006 are as follows:
- In total, net assets were \$44,021 at June 30, 2006.
- The Institute had operating revenues of \$277,741 and operating expenses of \$369,617. The Institute also received \$38,049 in federal and state grants, and paid \$497 in interest on a revolving loan. The total change in net assets for the fiscal year was (\$54,324).

Using the Basic Financial Statements

This annual report consists of the management discussion and analysis, the basic financial statements and the notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. These statements are organized so the reader can understand the Institute's financial activities.

Reporting the Institute's Financial Activities

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Institute, including all short-term and long-term financial resources and obligations. These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2006?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting records revenue when earned and expenses when incurred regardless of when cash is received or paid.

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

The statement of cash flows provides information about how the Institute finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)
(Continued)**

Table 1 provides a summary of the Institute's net assets for June 30, 2006 compared to June 30, 2005.

**Table 1
Net Assets**

	June 30, 2006	June 30, 2005
Assets		
Current and Other Assets	\$67,118	\$142,058
Capital Assets, Net	7,529	5,140
Total Assets	<u>74,647</u>	<u>147,198</u>
Liabilities		
Current Liabilities	<u>30,626</u>	<u>48,853</u>
Total Liabilities	<u>30,626</u>	<u>48,853</u>
Net Assets		
Invested in Capital Assets	7,529	5,140
Restricted for Special Purposes	12,657	6,199
Unrestricted	<u>23,835</u>	<u>87,006</u>
Total Net Assets	<u>\$44,021</u>	<u>\$98,345</u>

Over time, net assets can serve as a useful indicator of a government's financial position. Net assets decreased by \$54,324 during fiscal year 2006. This was due to a move to a new facility and decreased enrollment from opening later than projected for the 2006 school year. State foundation revenues associated with the student count decreased in 2006. The Institute had additional expenditures in leasehold renovations and moving expenses with relocating to a new facility. Current assets are primarily attributable to ending cash balances of TechCon's funds of \$56,578. Total liabilities (as noted above in the amount of \$30,626) are predominately attributable to accrued wages and benefits and intergovernmental payables at year end.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, compared to the period ended June 30, 2005.

**Table 2
Changes in Net Assets**

	Fiscal Year Ended June 30, 2006	Period Ended June 30, 2005
Operating Revenues		
State Foundation	\$274,889	\$392,856
Other Operating Revenues	2,852	1,406
Total Operating Revenues	<u>277,741</u>	<u>394,262</u>
Non- Operating Revenues		
Federal and State Grants	38,049	27,833
Total Revenues	<u>315,790</u>	<u>422,095</u>

(Continued)

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)
(Continued)**

	Fiscal Year Ended June 30, 2006	Period Ended June 30, 2005
Operating Expenses		
Salaries	161,193	126,275
Fringe Benefits	35,292	38,878
Purchased Services	107,347	47,747
Materials and Supplies	38,449	58,482
Depreciation	1,488	180
Other	25,848	51,929
Total Operating Expenses	369,617	323,491
Non-Operating Expenses		
Interest and Fiscal Charges	497	259
Total Expenses	370,114	323,750
Increase (Decrease) in Net Assets	(\$54,324)	\$98,345

Community schools receive no support from taxes. The State Foundation Program and State Grants are, by far, the primary support for the Institute's students. State Foundation payments accounted for approximately 87 percent of all revenues and Federal and State grants accounted for another 12 percent of revenues during fiscal year 2006. State Foundation payments decreased by 30 percent during fiscal year 2006 because student enrollment decreased from fiscal year 2005.

Capital Assets

At June 30, 2006, the Institute had \$7,529 (net accumulated depreciation) invested in machinery and equipment. For more information on capital assets, see Note 5 of the Basic Financial Statements.

Debt

At June 30, 2005, the Institute had a revolving loan outstanding with National City Bank in the amount of \$6,802. The interest rate on the loan was the prime rate plus four percent. It was issued for the purpose of making renovations to the space leased from the Regional Transit Authority. This loan was paid off during fiscal year 2006. For more information on the Institute's debt, see Note 13 of the Basic Financial Statements.

Current Financial Issues and Concerns

The Institute is sponsored by the Lucas County Educational Service Center. The Institute relies on the State Foundation funds as well as State and Federal grants to provide the monies necessary to begin and carry on the activities of the Institute. The administration considers many factors when setting the Institute's 2007 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Staffing contracts are adjusted per student enrollment and expenditures are budgeted conservatively. The Institute has been awarded a \$300,000 Federal Public Charter Schools Program Grant for fiscal year 2007. These funds have been budgeted to purchase computer and technology equipment, instructional professional development, marketing, and instructional supplies.

Contacting the Institute's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Institute's finances and to show the Institute's accountability for the money it receives. If you have questions about this report or need additional financial information contact Deborah Dynes, Treasurer, TechCon Institute, 2075 Shiloh Springs Rd., Suite 100, Trotwood, OH 45426.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006**

Assets:

Current Assets

Equity in Pooled Cash and Cash Equivalents	\$56,578
Accounts Receivable	186
Intergovernmental Receivable	10,046
Prepaid Items	308
Total Current Assets	<u>67,118</u>

Non-Current Assets

Capital Assets, Net	<u>7,529</u>
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Total Assets	<u>74,647</u>
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Liabilities:

Current Liabilities

Accounts Payable	126
Accrued Wages and Benefits Payable	16,313
Compensated Absences Payable	1,308
Intergovernmental Payable	12,879
Total Current Liabilities	<u>30,626</u>

Net Assets

Invested in Capital Assets	7,529
Restricted for Special Purposes	12,657
Unrestricted	<u>23,835</u>
Total Net Assets	<u><u>\$44,021</u></u>

See accompanying notes to the basic financial statements.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

Operating Revenues:	
State Foundation	\$274,889
Other Operating Revenues	2,852
Total Operating Revenues	<u>277,741</u>
Operating Expenses	
Salaries	161,193
Fringe Benefits	35,292
Purchased Services	107,347
Materials and Supplies	38,449
Depreciation	1,488
Other	25,848
Total Operating Expenses	<u>369,617</u>
Operating Loss	<u>(91,876)</u>
Non-Operating Revenues and Expenses	
Federal Grants	32,574
State Grants	5,475
Interest and Fiscal Charges	(497)
Total Non-Operating Revenues and Expenses	<u>37,552</u>
Change in Net Assets	(54,324)
Net Assets Beginning of Year	<u>98,345</u>
Net Assets End of Year	<u><u>\$44,021</u></u>

See accompanying notes to the basic financial statements.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State Foundation	\$277,589
Cash Received from Other Operating Revenues	3,666
Cash Payments for Employee Services and Benefits	(212,944)
Cash Payments for Goods and Services	(142,939)
Cash Payments for Other Operating Expenses	(26,151)
Net Cash Used In Operating Activities	<u>(100,779)</u>

Cash Flows from Noncapital Financing Activities:

Federal Grants	22,528
State Grants	5,475
Loan Principal Payments	(6,802)
Loan Interest Payments	(552)
Net Cash Provided by Noncapital Financing Activities	<u>20,649</u>

Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Asset	<u>(3,877)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(3,877)</u>

Net Decrease in Cash and Cash Equivalents (84,007)

Cash and Cash Equivalents Beginning of Year 140,585

Cash and Cash Equivalents End of Year 56,578

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

Operating Loss (91,876)

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

Depreciation 1,488

Changes in Assets and Liabilities:

Decrease in Accounts Receivable	814
Decrease in Prepaid Items	165
Decrease in Accounts Payable	(2,258)
Decrease in Accrued Wages and Benefits	(13,600)
Decrease in Compensated Absences Payable	(231)
Increase in Intergovernmental Payable	4,719
Net Cash Used In Operating Activities	<u><u>(\$100,779)</u></u>

See accompanying notes to the basic financial statements.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE INSTITUTE AND REPORTING ENTITY

TechCon Institute Community School (the "Institute") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to serve as an Information Technology Community School serving at-risk high school students. The Institute, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The Institute may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Institute.

The Institute's mission is to help students succeed by educating and graduating students, along with providing training in the field of Information Technology in such areas as Networking, EDI Communications, Application Development, Database Management and Computer Maintenance and Repair. Both the academics and technical areas use innovative methods of teaching, catering to students who are looking for different methods of teaching than are used in traditional schools. The Institute offers flexible schedules, computer-based academic curriculum, individualized proficiency preparation and vocational training from certified teachers.

The Institute was approved under contract with the Sponsor, Midwest Management Resources, Inc., for a period of five years ending June 30, 2009. The Institute began operations on September 1, 2004. The Sponsor is responsible for evaluating the performance of the Institute and has the authority to deny renewal of the contract at its expiration. The Governing Authority is responsible for the operations of the Institute.

The Institute operates under the direction of a Board of Directors, consisting of not less than five members chosen from leaders from the broad range of disciplines representing professionals, community leaders and parents. The Directors serve a two-year term and may not serve more than three terms consecutively. Vacancies on the Board are filled by a vote of the Board from a slate of candidate prepared by the Nominating Committee. The Board of Directors is responsible for carrying out the provisions of the contract with the Sponsor, 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 Board appoints an Executive Director by majority vote who is the Chief Executive Officer of TechCon Institute and responsible for operating the day-to-day business affairs of the Institute, subject to the supervision of the Board.

The Board of Directors controls the Institute's one instructional/support facility which was staffed by three certified teachers, one classified employee and one administrator who provided instructional services to 40 students during fiscal year 2006. The Institute contracts with an outside party for Treasurer services.

The primary government of the Institute consists of ten funds, several departments and the Board that is not legally separate from the Institute. This includes general operations and student related activities of the Institute. The Institute is associated with the Metropolitan Dayton Education Computer Association (MDECA), which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 14) The Institute is also associated with the Ohio Association of School Board Officials (OASBO) Worker's Compensation Group Rating Plan, an insurance purchasing pool. (See Note 15).

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of TechCon Institute have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Institute 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 Institute has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The most significant of the Institute's accounting policies are described below.

A. Basis of Presentation

The Institute's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses are recognized at the time they are incurred.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Community Schools must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires annual appropriations and annual revenue estimates. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

E. Cash

All monies received by the Institute are maintained in a demand deposit account.

F. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the fiscal year in which services are consumed.

G. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Institute maintains a capitalization threshold of \$1,000. The Institute does not have any infrastructure. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Machinery and Equipment	4-8 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists 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 amount reflected as "Restricted for Special Purposes" represents federal and state grants.

The Institute applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The statement of net assets reports \$12,657 of restricted net assets, of which none is restricted by enabling legislation.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

Vacation and personal leave 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 Institute will compensate the employees for the benefits through paid time off or some other means. The Institute records a liability for accumulated unused vacation and personal leave time when earned for all employees.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the statement of net assets.

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Institute, these revenues are payments from the State Foundation Program and miscellaneous operating revenues. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the Institute. All revenues and expenses not meeting these definitions are reported as non-operating.

L. Intergovernmental Revenues

The Institute currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The Institute also participates in several federal grant programs. Under these programs, the Institute was awarded \$32,574 and received \$22,528 of this amount during the fiscal year ended June 30, 2006.

M. Estimates

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

N. Change in Accounting Principles

For fiscal year 2006, the Institute has implemented *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"*, *GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation"* and *GASB Statement No. 47, "Accounting for Termination Benefits"*...

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the Institute's financial statements for fiscal year 2006.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the Institute's financial statements for fiscal year 2006.

GASB Statement No. 47 establishes accounting and financial standards for termination benefits. This statement clarifies and established reporting requirements for those benefits provided by employer to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect the Institute's financial statements for fiscal year 2006.

3. DEPOSITS

At June 30, 2006, the book balance of the Institute's deposits was \$56,578 and the bank balance was \$77,230. The entire bank balance was covered by federal depository insurance.

4. RECEIVABLES

Receivables at June 30, 2006, consisted of intergovernmental receivables and accounts receivable. All receivables are expected to be received within one year. All receivables are considered collectible in full and are expected to be received within one year. A summary of intergovernmental receivables follows:

Description	Amount
Title I Grant	\$ 6,756
Title V Grant	239
Title II-D Grant	638
Drug-Free Grant	343
Title II-A Grant	1,433
Title VI-B Grant	637
	\$10,046

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 7/01/05	Additions	Deductions	Balance 6/30/06
Machinery and Equipment	\$5,320	\$3,877		\$9,197
Less Accumulated Depreciation:				
Machinery and Equipment	(180)	(1,488)		(1,668)
Capital Assets, Net	\$5,140	\$2,389		\$7,529

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

6. RISK MANAGEMENT

A. Property and Liability

The Institute 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 contracted personnel; and natural disasters. During fiscal year 2006, the Institute contracted with Indiana Insurance for property insurance and general liability insurance.

B. Workers' Compensation

For fiscal year 2006, the Institute participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the Institute by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to entities that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

7. PURCHASED SERVICES

For the fiscal year ended June 30, 2006, purchased services were as follows:

Professional and Technical Services	\$ 30,707
Property Services	5,304
Travel and Meetings	11,442
Communications	6,699
Craft and Trade Services	53,185
Other Purchased Services	10
Total Purchased Services	<u><u>\$107,347</u></u>

8. PERSONNEL AGREEMENT

The Institute entered into a service contract for Treasurer Services. Total payments for fiscal year 2006 were \$15,000.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

9. OPERATING LEASES

The Institute entered into a rental agreement with the Greater Dayton Regional Transit Authority for use of office space. The agreement was for three years beginning June 1, 2005 and ending May 31, 2008. The agreement states that the rent will be \$2,500 per month for the first month and for months 13 through 36. During the first year, the Institute does not have to pay rent, except for the first month, but the Institute must pay \$30,000 in renovation costs to make the space suitable for its use. The costs of these renovations will offset some of the first year's rental payments, except for the first month. During the fiscal year ended June 30, 2006, the Institute paid \$48,512 in renovation costs. Required future payments according to the agreement are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2007	\$30,000
2008	27,500
	<u>\$57,500</u>

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Institute contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the Institute was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. A portion of the Institute's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 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, up to a statutory maximum amount, by the SERS' Retirement Board. The Institute's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006 and 2005 were \$3,187 and \$1,264, respectively. 41 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal year 2005.

B. State Teachers Retirement System of Ohio

The Institute participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Institute was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations, the same portion that was used to fund pension obligations for fiscal year 2005. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Institute's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2006 and June 30, 2005 were \$16,831 and \$16,764, respectively; 91 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal year 2005. The Institute did not have any employees who participated in the DC or Combined Plans for the fiscal year ended June 30, 2006.

11. POSTEMPLOYMENT BENEFITS

The Institute provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund, the same percentage that was used for fiscal year 2005. For the Institute, this amount equaled \$1,295 for the fiscal year ended June 30, 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. For the Institute, the amount contributed to fund health care benefits, including the surcharge, during fiscal year 2006 equaled \$1,540.

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 fund is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005, (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has approximately 58,123 participants currently eligible to receive health care benefits.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal leave and sick leave benefits are derived from employee contracts. The Administrator, teachers and aides earn five sick days and three personal days during a contract year. The Administrator also earns two weeks of vacation during a contract year. Sick, personal and vacation leave may not be carried over into a succeeding contract year.

B. Insurance Benefits

The Institute provides health and life insurance to all employees through Anthem.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

13. SHORT-TERM OBLIGATIONS

The Institute received a line of credit from National City Bank during fiscal year 2005 in the amount of \$15,000 for the purpose of making renovations to the space leased from the Regional Transit Authority. The interest rate on withdrawals from the revolving loan is prime plus four percent. The outstanding balance on the loan at June 30, 2005 was \$6,802. During fiscal year 2006, the Institute did not make any withdrawals on the loan and paid \$6,802 back on the loan. The outstanding balance at June 30, 2006 is \$0.

14. JOINTLY GOVERNED ORGANIZATION

The Institute is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The Institute made payments of \$3,764 to MDECA during fiscal year 2006. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

15. INSURANCE PURCHASING POOL

The Institute participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

16. CONTINGENCIES

A. Grants

The Institute received financial assistance from 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 Institute. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Institute at June 30, 2006.

B. State Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (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. The review for fiscal year 2006 determined that the Institute owed ODE \$2,699.79. This amount has been included on the financial statements as Intergovernmental Payable.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

16. CONTINGENCIES (Continued)

C. Related Party Transactions

The Institute's Director, Mr. Demetrius Maddox, is the owner of the Institute's management company, Midwest Management Resources. Mr. Maddox also served as the Vice President of the Institute's Board during fiscal year 2006. The Institute paid \$10,000 to Midwest Management Resources for services rendered during fiscal year 2006. Subsequent to the balance sheet date, Mr. Maddox resigned from the Institute's Board.

During fiscal year 2006, the Institute paid for contract services from Mr. Maury Maddox, \$3,450 and Mr. Victor Maddox, \$8,040, brothers of Mr. Demetrius Maddox, Vice President of the Institute's Board.

D. Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Academy is not presently determinable

17. SUBSEQUENT EVENTS

During fiscal year 2006, the Institute applied for a Federal Public Charter Schools Program Grant. Subsequent to the balance sheet date, the Ohio Department of Education approved the grant application and awarded the Institute \$300,000 to be used for this grant in fiscal year 2007.

18. TAX EXEMPT STATUS

The Institute has not filed for tax exempt status under § 501(c)(3) of the Internal Revenue Code. The Institute has not filed tax returns for fiscal years 2006 or 2005 and the Institute has made no provision for any potential future tax liability which could result from not obtaining the § 501(c)(3) tax exempt status.

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Mary Taylor, CPA

Auditor of State

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

TechCon Institute Community School
Montgomery County
2075 Shiloh Springs Rd. Suite 100
Dayton, Ohio 45426

To the Board of Directors:

We have audited the financial statements of the business-type activities of TechCon Institute Community School, Montgomery County, (the Institute), as of and for the year ended June 30, 2006, which collectively comprise the Institute's basic financial statements and have issued our report thereon dated April 19, 2007. 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 Institute's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Institute's management dated April 19, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Institute'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 2006-001 through 2006-003. In a separate letter to the Institute's management dated April 19, 2007, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

TechCon Institute Community School
Montgomery County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and Board of Directors. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

April 19, 2007

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006**

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

FINDING NUMBER 2006-001

Finding for Recovery Repaid Under Audit – Institute Monies Illegally Expended

The court case, *State ex rel. McClure v. Hagerman, 155 Ohio St. 320(1951)*, provides that expenditures made by a governmental unit should serve a public purpose. The Institute's Director, Demetrius Maddox, made various debit card expenditures without proper supporting documentation or not serving a proper public purpose, as follows:

Item	Memo Check	Memo Check Date	Amount	Event Date	Memo Entry Comments
1	900102	12/1/2005	\$ 58.83	12/20/2005	Office Depot Dayton
2	900062	7/1/2005	67.56	7/5/2005	Cracker Barrel
3	900062	7/1/2005	215.80	7/8/2005	CDW Government Inc.
4	900081	9/1/2005	56.22	9/13/2005	Target Trotwood
5	900094	11/1/2005	172.30	11/1/2005	Mendelson Electronics Dayton
6	900094	11/1/2005	261.34	11/9/2005	Interior Supply Inc.
		Other	<u>832.05</u>		
7	900069	8/1/2005	80.67	8/26/2005	Fairfield Inn Toledo
8	900094	11/1/2005	78.84	11/18/2005	Country Inn Suites Mich.
9	900117	2/1/2006	86.12	2/23/2006	Fairfield Inn Toledo
10	900126	3/1/2006	78.84	3/17/2006	Country Inn Suites Mich.
11	900135	4/1/2006	96.76	4/11/2006	Country Inn Suites Mich.
12	900142	5/1/2006	78.84	5/19/2006	Country Inn Suites Mich.
13	900142	5/1/2006	277.10	5/23/2006	Spirit Air Miramar, FL.
		Travel	<u>777.17</u>		
			<u>\$1,609.22</u>		

The Institute had \$1,609 in debit card expenditures that lacked supporting documentation. Of these disbursements \$777 was related to travel. The Institute did not provide documentation that these expenses were for Institute business and, therefore, a proper public purpose, instead of personal benefit. One of the more significant travel related expenditures includes airfare for a trip to Florida during May 2006 in the amount of \$277.

In addition to these travel related expenditures, the debit card was also used for other miscellaneous expenditures totaling \$832. Documentation supporting the fact that these expenses were for Institute business purposes was not provided.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies being illegally expended is hereby issued against Demetrius Maddox, Director of TechCon Institute in the amount of \$1,609 in favor of TechCon Institute. This amount was repaid on April 18, 2007, as evidenced by TechCon Institute Community School receipt number 164.

We recommend, the Board of Directors establish and implement policies and procedures to require that all expenditures of the Institute be supported by invoices or some other type of documentation, reviewed and approved by the Treasurer. These procedures would improve internal controls and assure that public monies are properly documented and appropriately expended.

Officials' Response:

As Director of TechCon Institute I must say that I have never used our TCI Credit Card for any purpose other than TCI related business. These are not **"Monies Illegally Expended."**

All of the transactions listed on page 26 of the "Schedule of Findings" are proper expenses related to equipment, supplies or travel for TCI.

The following is a description of each of the items listed.

Item	Memo / Check	Memo / Check Date	Amount	Event Date	Memo Entry Comments	TCI Description
1	900102	12/12/2005	\$ 58.83	12/20/2005	Office Depot Dayton	Paper for printers and fax machine
2	900062	7/1/2005	67.56	7/5/2005	Cracker Barrel	Breakfast for the teachers
3	900062	7/1/2005	215.80	7/8/2005	CDW Government Inc.	Memory for our server – we have the receipt
4	900081	9/1/2005	56.22	9/13/2005	Target Trotwood	Replacement head sets for the students
5	900094	11/1/2005	172.30	11/1/2005	Mendelson Electronics Dayton	Surge protectors for lab computers
6	900094	11/1/2005	261.34	11/9/2005	Interior Supply Inc.	Blue base board for class room walls
		Other	<u>832.05</u>			
7	900069	8/1/2005	<u>80.67</u>	8/26/2005	Fairfield Inn Toledo	TCI related travel – late return/weather
8	900094	11/1/22005	78.84	11/18/2005	Country Inn Suites Michigan	TCI related travel – late return/weather
9	900117	2/1/2006	86.12	2/23/2006	Fairfield Inn Toledo	TCI related travel – late return/weather
10	900126	3/1/2006	78.84	3/17/2006	Country Inn Suites Michigan	TCI related travel – late return/weather
11	900135	4/1/2006	96.76	4/11/2006	Country Inn Suites Michigan	TCI related travel – late return/weather
12	900142	5/1/2006	78.84	5/19/2006	Country Inn Suites Michigan	TCI related travel – late return/weather
13	900142	5/1/2006	277.10	5/23/2006	Spirit Air Miramar, FL	Charter school conference that I cancelled. We still have \$227.10 credit @ Spirit Air.
		Travel	<u>777.17</u>			
			<u>\$1,609.22</u>			

I have submitted the full amount of \$1,609.44 to be deposited back into TCI's account per the audit findings. However, I respectfully request the refund of these monies upon retrieval of the above misplaced documents.

FINDING NUMBER 2006-002

Ohio Rev. Code Section 3314.02(E) states that each community school established under this chapter shall be under the direction of a governing authority which shall consist of a board of not less than five individuals who are not owners or employees, or immediate relatives of owners or employees, of any for-profit firm that operates or manages a school for the governing authority.

**FINDING NUMBER 2006-002
(Continued)**

During fiscal year 2006, the Vice President of the Board, Mr. Demetrius Maddox, was also the owner of the Institute's management company, Midwest Management Resources. This management company operates as a for-profit firm. This is in violation of the above code.

Subsequent to the balance sheet date, Mr. Maddox resigned from the Institutes Board of Directors to be in compliance with this section of the Ohio Revised Code.

FINDING NUMBER 2006-003

Ohio Rev. Code 3314.03(A)(1)(b), states that Community Schools are required to apply and qualify as a tax exempt organization under **Section 501(c)(3) of the Internal Revenue Code** and **Ohio Rev. Code Section 1702.01**.

The Institute has not applied for tax exempt status under **Section 501(c)(3) of the Internal Revenue Service Code**. Since the Institute has not filed for such status, the net income consequently is subject to taxation by the Internal Revenue Service. Additionally, the Institute did not file any tax returns.

The Institute should consider applying for tax exempt status under **Section 501(c)(3) of the Internal Revenue Service Code**. Additionally, the Institute should consult with qualified tax counsel to determine necessary tax filings with the Internal Revenue Service.

Officials' Response:

We were informed by our sponsor (Lucas County) that in accordance with IRS 509(a)(1) subsection 170B, a public school is recognized as a tax exempt organization.

Auditor of State's Analysis:

The Auditor of State's office cannot provide a comment as the section of law referenced in the client's response could not be located for review.



Mary Taylor, CPA
Auditor of State

TECHCON INSTITUTE 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
MAY 29, 2007**