



Mary Taylor, CPA  
Auditor of State



**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

TechCon Institute Community School  
Montgomery County  
2075 Shiloh Springs Road  
Trotwood, Ohio 45426

To the Board of Directors:

We have audited the accompanying basic financial statements of the TechCon Institute Community School, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2007, and the respective changes in 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 May 12, 2008, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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

May 12, 2008

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

The discussion and analysis of the TechCon Institute Community School (the School) financial performance provides an overall review of the School's financial activities for the period ended June 30, 2007. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2007 are as follows:

- In total, net assets were \$174,922 at June 30, 2007.
- The School had operating revenues of \$275,738 and operating expenses of \$463,863. The School also received \$319,026 in federal and state grants. The total change in net assets for the fiscal year was \$130,901.

**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 Revenue, Expenses, and Changes in Net Assets and a Statement of Cash Flows. These statements are organized so the reader can understand the School's financial activities.

**Reporting the School'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 School, 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 2007?" 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 School's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the School as a whole, the financial position of the School 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 School 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 FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

Table 1 provides a summary of the School's net assets for June 30, 2007 compared to June 30, 2006.

**Table 1  
Net Assets**

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
<b>Assets</b>		
Current and Other Assets	\$162,371	\$67,118
Capital Assets, Net	36,448	7,529
Total Assets	<u>198,819</u>	<u>74,647</u>
<b>Liabilities</b>		
Current Liabilities	<u>23,897</u>	<u>30,626</u>
Total Liabilities	<u>23,897</u>	<u>30,626</u>
<b>Net Assets</b>		
Invested in Capital Assets	36,448	7,529
Restricted for Special Purposes	87,361	12,657
Unrestricted	<u>51,113</u>	<u>23,835</u>
Total Net Assets	<u>\$174,922</u>	<u>\$44,021</u>

Over time, net assets can serve as a useful indicator of a government's financial position. Net assets increased by \$130,901 during fiscal year 2007. Cash and cash equivalents and net assets restricted for special purposes increased due mostly to the balance of the Federal Charter School Grant money that has not been spent. Capital assets and net assets invested in capital assets increased due to the purchases of capital items from this grant.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007, compared to the period ended June 30, 2006.

**Table 2  
Changes in Net Assets**

	<b>Fiscal Year Ended June 30, 2007</b>	<b>Fiscal Year Ended June 30, 2006</b>
<b>Operating Revenues</b>		
State Foundation	\$269,574	\$274,889
Other Operating Revenues	6,164	2,852
Total Operating Revenues	<u>275,738</u>	<u>277,741</u>
<b>Non- Operating Revenues</b>		
Federal and State Grants	<u>319,026</u>	<u>38,049</u>
Total Revenues	<u>594,764</u>	<u>315,790</u>
<b>Operating Expenses</b>		
Salaries	140,018	161,193
Fringe Benefits	24,316	35,292
Purchased Services	112,823	107,347
Materials and Supplies	159,279	38,449
Depreciation	2,045	1,488
Other	<u>25,382</u>	<u>25,848</u>
Total Operating Expenses	<u>463,863</u>	<u>369,617</u>
Non-Operating Expenses		<u>497</u>
Total Expenses	<u>463,863</u>	<u>370,114</u>
Increase (Decrease) in Net Assets	<u>\$130,901</u>	<u>(\$54,324)</u>



**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

Community schools receive no support from taxes. The State Foundation Program and State Grants are, by far, the primary support for the School's students. Federal and State grants accounted for 54 percent of revenues during fiscal year 2007, and State Foundation payments accounted for approximately 45 percent of all revenues. Materials and supplies expense increased due to the items purchased from the Federal Charter School Grant that fell under the School's capitalization threshold.

**Capital Assets**

At June 30, 2007, the School had \$36,448 invested in machinery and equipment compared to \$7,529 at June 30, 2006. The increase in capital assets was due primarily to computer equipment purchased with grant money.

For more information on capital assets, see Note 5 of the Basic Financial Statements.

**Current Financial Issues and Concerns**

The School is sponsored by the Lucas County Educational Service Center. The School 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 School. The administration considers many factors when setting TechCon's 2008 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 school strives to provide a quality education with the current budget.

**Contacting the School's Financial Management**

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

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**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007**

**Assets:**

**Current Assets:**

Equity in Pooled Cash and Cash Equivalents	\$118,344
Accounts Receivable	309
Intergovernmental Receivable	43,386
Prepaid Items	332
Total Current Assets	<u>162,371</u>

**Non-Current Assets**

Capital Assets, Net	36,448
Total Assets	<u><u>\$198,819</u></u>

**Liabilities:**

**Current Liabilities:**

Accounts Payable	\$3,973
Accrued Wages and Benefits Payable	10,530
Compensated Absences Payable	654
Intergovernmental Payable	8,740
Total Current Liabilities	<u>23,897</u>

**Net Assets**

Invested in Capital Assets	36,448
Restricted for Special Purposes	87,361
Unrestricted	51,113
Total Net Assets	<u><u>\$174,922</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 FISCAL YEAR ENDED JUNE 30, 2007**

**Operating Revenues:**

State Foundation	\$269,574
Other Operating Revenues	6,164
Total Operating Revenues	<u>275,738</u>

**Operating Expenses**

Salaries	140,018
Fringe Benefits	24,316
Purchased Services	112,823
Materials and Supplies	159,279
Depreciation	2,045
Other	25,382
Total Operating Expenses	<u>463,863</u>

Operating Loss (188,125)

**Non-Operating Revenues and Expenses**

Federal Grants	316,026
State Grants	3,000
Total Non-Operating Revenues and Expenses	<u>319,026</u>

Change in Net Assets 130,901

Net Assets Beginning of Year 44,021

Net Assets End of Year \$174,922

*See accompanying notes to the basic financial statements.*

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from State Foundation	\$248,436
Cash Received from Other Operating Revenues	5,804
Cash Payments for Employee Services and Benefits	(175,660)
Cash Payments for Goods and Services	(271,907)
Cash Payments for Other Operating Expenses	(22,549)
Net Cash Used In Operating Activities	(215,876)

**Cash Flows from Noncapital Financing Activities:**

Federal Grants	305,606
State Grants	3,000
Net Cash Provided by Noncapital Financing Activities	308,606

**Cash Flows from Capital and Related Financing Activities**

Acquisition of Capital Asset	(30,964)
Net Cash Used for Capital and Related Financing Activities	(30,964)

Net Increase in Cash and Cash Equivalents	61,766
Cash and Cash Equivalents Beginning of Year	56,578
Cash and Cash Equivalents End of Year	\$118,344

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

Operating Loss	(\$188,125)
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**Adjustments to Reconcile Operating Loss to  
Net Cash Used In Operating Activities:**

Depreciation	2,045
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**Changes in Assets and Liabilities:**

Increase in Accounts Receivable	(123)
Increase in Intergovernmental Receivable	(22,920)
Increase in Prepaid Items	(24)
Decrease in Accounts Payable	3,847
Increase in Accrued Wages and Benefits	(5,783)
Decrease in Compensated Absences Payable	(654)
Decrease in Intergovernmental Payable	(4,139)
Net Cash Used In Operating Activities	(\$215,876)

*See accompanying notes to the basic financial statements.*

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**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The TechCon Institute Community School (the "School") 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 School, 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 School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School'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 School offers flexible schedules, computer-based academic curriculum, individualized proficiency preparation and vocational training from certified teachers.

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

The School 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 the School and is responsible for operating the day-to-day business affairs of the School, subject to the supervision of the Board.

The Board of Directors controls the School's one instructional/support facility which was staffed by three certified teachers, one classified employee and one administrator who provided instructional services to 43 students during fiscal year 2007. The School contracts with an outside party for Treasurer services.

The primary government of the School consists of ten funds, several departments and the Board that is not legally separate from the School. This includes general operations and student related activities of the School. The School 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 13) The School is also associated with the Ohio Association of School Board Officials (OASBO) Worker's Compensation Group Rating Plan, an insurance purchasing pool. (See Note 14).

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School 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 School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The most significant of the School's accounting policies are described below.

**A. Basis of Presentation**

The School'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 School 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 School'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 School 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 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.

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 FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School 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 School 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 School maintains a capitalization threshold of \$1,000. The School does not have any infrastructure. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives 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 School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**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 School, 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 School. All revenues and expenses not meeting these definitions are reported as non-operating.

**L. Intergovernmental Revenues**

The School 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 School also participates in the State EMIS program, and was awarded and received \$3,000 from this program during fiscal year 2007. The School also participated in several federal grant programs including the Federal Charter School Grant during fiscal year 2007. Under these programs, the School was awarded \$334,021 and received \$305,606 of this amount during the fiscal year ended June 30, 2007.

**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.

**3. DEPOSITS**

At June 30, 2007, the book balance of the School's deposits was \$118,344 and the bank balance was \$159,038.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June, 30, 2007, \$59,038 of the School's bank balance of \$159,038 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution's agent but not in the School's name.

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**4. RECEIVABLES**

Receivables at June 30, 2007, consisted of accounts receivable and intergovernmental receivables. All receivables are considered collectible in full and are expected to be received within one year. A summary of intergovernmental receivables follows:

<u>Description</u>	<u>Amount</u>
Reimbursement	\$237
Title V Grant	364
Title II-D Grant	429
Drug-Free Grant	667
Title II-A Grant	1,580
Title VI-B Grant	9,463
Federal Charter School Grant	7,963
State Employees Retirement System	4,245
Ohio Department of Education	18,438
	<u>\$43,386</u>

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance 7/01/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/07</u>
Machinery and Equipment	\$9,197	\$30,964	0	\$40,161
Less Accumulated Depreciation:				
Machinery and Equipment	(1,668)	(2,045)	0	(3,713)
Capital Assets, Net	<u>\$7,529</u>	<u>\$28,919</u>	<u>\$0</u>	<u>\$36,448</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 contracted personnel; and natural disasters. During fiscal year 2007, the School contracted with Indiana Insurance for property insurance and general liability insurance.

**B. Workers' Compensation**

For fiscal year 2007, the School participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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.

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**7. PURCHASED SERVICES**

For the fiscal year ended June 30, 2007, purchased services were as follows:

Professional and Technical Services	\$68,162
Property Services	27,769
Travel and Meetings	5,706
Communications	10,559
Craft and Trade Services	380
Other Purchased Services	247
Total Purchased Services	\$112,823

**8. PERSONNEL AGREEMENT**

The School entered into a service contract for Treasurer Services. Total payments for fiscal year 2007 were \$15,750.

**9. OPERATING LEASES**

The School 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 School did not have to pay rent, except for the first month, but had to pay \$30,000 in renovation costs to make the space suitable for its use. During the fiscal year ended June 30, 2007, the School paid \$27,500 in rental costs. Required future payments according to the agreement are as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2008	\$27,500
	\$27,500

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School was required to contribute at an actuarially determined rate of 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 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 School's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$686, \$3,187 and \$1,264, respectively. 100 percent has been contributed for fiscal year 2007, 2006 and 2005.

**B. State Teachers Retirement System of Ohio**

The School 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.

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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations, the same portion that was used to fund pension obligations for fiscal year 2006. 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.

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

The School's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006 and 2005, were \$18,334, \$16,831 and \$16,764, respectively; 90 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. The School did not have any employees who participated in the DC or Combined Plans for the fiscal year ended June 30, 2007.

**11. POSTEMPLOYMENT BENEFITS**

The School 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.

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, 2007, 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 2006. For the School, this amount equaled \$1,410 for the fiscal year ended June 30, 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,484 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 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. For the School, the amount contributed to fund health care benefits, including the surcharge, during fiscal year 2007 equaled \$300.

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, 2006, (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 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 59,492 participants currently eligible to receive health care benefits.

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**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 School provides health and life insurance to all employees through Anthem.

**13. JOINTLY GOVERNED ORGANIZATION**

The School 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 School made payments of \$3,698 to MDECA during fiscal year 2007. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

**14. INSURANCE PURCHASING POOL**

The School 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.

**15. CONTINGENCIES**

**A. Grants**

The School 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 are 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, 2007.

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**15. CONTINGENCIES (Continued)**

**B. State Funding**

The Ohio Department of Education 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. One review was conducted during fiscal year 2007.

**C. Related Party Transactions**

The owner of the School's management company, Midwest Management Resources is Mr. Demetrius Maddox. Mr. Maddox also served as the Vice President of the School's Board during the first part of fiscal year 2007. He resigned his position on the Board in September 2006.

**D. Litigation**

A lawsuit entitled Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314 violates both the Ohio and Federal Constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the TechCon Institute Community School cannot presently be determined.

**16. TAX EXEMPT STATUS**

The School has begun the process of filing for tax exempt status under section 501(c)(3) of the Internal Revenue Code, and is estimating the process to take 8 to 12 months. The School has not made any provisions for any future tax liability that could result from not having the section 501(c)(3) tax exempt status.





# 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 Road  
Trotwood, Ohio 45426

To the Board of Directors:

We have audited the basic financial statements of the TechCon Institute Community School, Montgomery County, (the School) as of and for the year ended June 30, 2007, and have issued our report thereon dated May 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the School's management in a separate letter dated May 12, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the School's management in a separate letter dated May 12, 2008

We intend this report solely for the information and use of management, the Board of Directors, and the School's sponsor. We intend it for no one 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

May 12, 2008

**TECHCON INSTITUTE COMMUNITY SCHOOL  
MONTOMGERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Finding for Recovery - Funds spent without proper documentation	Yes	N/A
2006-002	Ohio Rev. Code 3314.02(E) – Board Member was owner of Management Company	Yes	N/A
2006-003	Ohio Rev. Code 3313.03(A)1(b) – Tax Exempt Status	No	Not repeated since the School has contracted to complete this process.





**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  
JUNE 10, 2008**