THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

Financial Statements

June 30, 2008

(with Independent Auditors' Report)

Mary Taylor, CPA
Auditor of State

Board of Trustees
The ISUS Institute of Construction Technology
140 North Keowee Street
Dayton, Ohio 45402

We have reviewed the *Independent Auditors' Report* of The ISUS Institute of Construction Technology, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The ISUS Institute of Construction Technology is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 23, 2008

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TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The ISUS Institute of Construction Technology
Dayton, Ohio

We have audited the accompanying financial statement of The ISUS Institute of Construction Technology (the School), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ISUS Institute of Construction Technology, as of June 30, 2008, and the changes in financial position and cash flows thereof 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 December 17, 2008, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the School as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information in those schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 17, 2008

The discussion and analysis of The ISUS Institute of Construction Technology (The School) financial performance provides an overall review of the financial activities for the period ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for the period ended June 2008 are as follows:

- Total assets decreased $332,363 which represents a 17 percent decrease from the period ended June 2007. The decrease resulted primarily from a $482,265 decrease in accounts intergovernmental receivable.

- Total liabilities decreased $252,863 which represents a 32 percent decrease from the period ended June 2007. The decrease resulted primarily from a $246,022 decrease in accounts and intergovernmental payables.

- The operating loss reported for the period ended June 2008 ($2,373,186) was $447,394 more than the operating loss reported for the period ended June 2007 of ($1,925,792)

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a balance sheet, income statement, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Balance Sheet

The balance sheet answers the question, "How did we do financially during the period?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Table 1 provides a summary of the School's balance sheet for the period ended June 2008 compared with the period ended June 2007.

Table 1
Balance Sheet

		2008		2007
Assets:				
Current and other assets	$	1,429,179	$	1,724,277
Capital assets, net		167,340		204,605
Total Assets		1,596,519		1,928,882
Liabilities:				
Current liabilities		536,684		789,547
Total Liabilities		536,684		789,547
Net Assets:				
Invested in capital assets		167,340		204,605
Unrestricted		892,495		934,730
Total Net Assets	$	1,059,835	$	1,139,335

Total net assets of the School decreased by $79,500

The decrease of $332,363 in current assets results from the decrease in accounts and intergovernmental receivable of $382,020, and a $100,245 decrease in intergovernmental receivables.

Capital Assets net of accumulated depreciation decreased by $37,265 due to normal depreciation.

The decrease of $252,863 in current liabilities results from a decrease in accounts payable of $238,408, due to the decrease in intergovernmental payables of $7,614.

Table 2 shows a summary of revenues and expenditures compared for the period ended June 2008 and June 2007.

Table 2
Revenues & Expenditures

		2008		2007
Operating Revenues				
Foundation payments	$	941,791	$	1,127,075
Reimbursed Expenses		881,534		990,449
Other		3,569		14,723
Non Operating Revenues				
Federal Grants		385,785		422,305
State Grants		15,060		9,100
Other Grants		603,288		861,829
Contributions		16,470		799
On Behalf Payments		1,273,273		915,415
Total Revenues		4,120,770		4,341,695
Operating Expenses:				
Salaries		2,279,473		2,174,475
Fringe benefits		554,460		542,987
Purchased Services		1,138,216		1,132,824
Materials and supplies		56,905		57,546
Depreciation		63,350		54,247
Other expenses		107,676		95,960
Non Operating Expenses				
Interest Exp		190		180
Total Operating Expenses		4,200,270		4,058,219
Change in Net Assets		(79,500)		283,476
Net Assets at Beginning of Year		1,139,335		855,859
Net Assets at End of Year	$	1,059,835	$	1,139,335

Operating revenues decreased $305,353 as compared to the period ended June 2007. The decrease was due to a decrease in Foundation payments of $185,284 due to the decrease in student FTE's and a decrease in reimbursed expenses of $108,915 due to a decrease in billings for administrative services to the other ISUS Institutes and the Corporation.

Total expenses reported for the period ended June 2008 were $142,041 more than the total expenses reported for the period ended June 2007. Payroll and Fringe benefits increased $116,471 due to staff salary increases.

Non-Operating revenues increased $84,418 as compared to the period ended June 2007. Other grants decreased $258,541 due to a reduction in grant funding from the county. On behalf payments increased $357,858 due to the increase in pass through grants from ISUS Corp.

Capital Assets

For the period ended June 2008 capital assets of the School were $416,314 off-set by $248,974 in accumulated depreciation resulted in net capital assets of $167,340. Table 3 shows the categories of capital assets maintained by The School, net of accumulated depreciation, for the period ended June 2008 and 2007.

Table 3
Capital Assets, Net of Depreciation

		2008		**2007**
Leasehold improvements		$19,862		$20,552
Equipment		$147,478		$184,053
Totals		$167,340		$204,605

The decrease of $37,265 in Capital Assets is due to current year depreciation of $63,350, net of current year acquisitions of $26,085.

Debt

At June 30, 2008 the School had no debt obligations.

Contacting the School

This financial report is designed to provide a general overview of the finances of The ISUS Institute of Construction Technology and to show The School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: The ISUS Institute of Construction Technology, 140 N. Keowee St., Dayton, OH 45402.

Assets		
Current assets:		
Cash and cash equivalents	$	201,056
Accounts receivable		1,067,620
Intergovernmental receivable		19,835
Prepaid items		140,668
Total current assets		1,429,179
Non-current assets, net of accumulated depreciation:		
Equipment		147,478
Leasehold improvements		19,862
Total non-current assets		167,340
Total assets	$	1,596,519
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	341,131
Intergovernmental payable		12,281
Accrued wages and benefits payable		106,752
Compensated absences payable		69,593
Accrued liabilities, other		6,927
Total liabilities		536,684
Net assets:		
Investment in capital assets		167,340
Unrestricted		892,495
Total net assets		1,059,835
Total liabilities and net assets	$	1,596,519

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008

Operating revenues:		
Foundation payments	$	941,791
Charges for services		881,534
Miscellaneous		3,569
Total operating revenues		1,826,894
Operating expenses:		
Salaries		2,279,473
Fringe benefits		554,460
Purchased services		1,138,216
Materials and supplies		56,905
Depreciation		63,350
Other operating expenses		107,676
Total operating expenses		4,200,080
Operating loss		(2,373,186)
Non-operating revenues (expenses)		
Federal grants		385,785
State grants		15,060
Other grants		603,288
Contributions		16,470
Interest expense		(190)
ISUS (on behalf) revenue		1,273,273
Total non-operating revenues (expenses)		2,293,686
Change in net assets		(79,500)
Net assets, beginning of the year		1,139,335
Net assets, end of year	$	1,059,835

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

Statement of Cash Flows

Year Ended June 30, 2008

Cash flows from operating activities:		
Cash received from foundation payments	$	941,791
Cash received from charges for services		1,363,799
Cash received by miscellaneous sources		3,569
Cash used for employees for services		(2,810,890)
Cash used for suppliers for goods and services		(1,573,527)
Net cash used for operating activities		(2,075,258)
Cash flow from noncapital financing activities		
Cash received from ISUS, Inc.		1,273,273
Cash received from federal, state, private, and local grants		1,004,133
Cash received from contributions		16,470
Net cash provided by noncapital financing activities		2,293,876
Cash flow from capital and related financing activities		
Cash used for capital acquistions		(26,085)
Cash used for interest payments		(190)
Net cash used by capital and related financing activities		(26,275)
Net decrease in cash and cash equivialents		192,343
Cash and cash equivalents at the beginning of the year		8,713
Cash and cash equivalents at the end of the year	$	201,056

(continued)

See accompanying notes to the financial statements.

Reconciliation of operating loss to net cash used for operating activities		
Operating loss	$	(2,373,186)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation		63,350
Change in assets and liabilities		
Decrease in prepaids		5,176
Decrease in accounts receivable		382,020
Decrease in intergovernmental receivable		100,245
Decrease in accounts payable		(238,408)
Decrease in intergovernmental payable		(7,614)
Increase in accrued wages and benefits payable		16,912
Increase in accrued compensated absences payable		6,131
Decrease in other liabilities		(29,884)
Net cash used for operating activities	$	(2,075,258)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The following accounting principles and practices of the ISUS Institute of Construction Technology are set forth to facilitate the understanding of data presented in the financial statements.

Description of organization

The ISUS Institute of Construction Technology (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 as an organization operated exclusively for educational purposes. The School is exempt under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

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

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

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

The school operates under a five member Board of Trustees. The Board is ultimately responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional facility that was staffed by 19 certificated counseling and teaching personnel, 4 non-certificated instructional staff persons, and 16 non-certificated administrative staff. Approximately one hundred and ninety-three (193) students were served during the 2007-2008 school year.

The School is associated with five organizations which are defined as related organizations. These organizations are the Improved Solutions for Urban Systems, Inc. (ISUS), ISUS Trade and Technology Community School of Columbus, ISUS Trade and Technology Community School of Springfield, The ISUS Institute of Health Care, and The ISUS Institute of Manufacturing. These organizations are presented in Note 13 to the financial statements.

Financial statement presentation

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

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

Measurement focus and basis of accounting

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

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

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

Budgetary process

The School must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires annual appropriations and annual revenue estimates.

Cash

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

Estimates

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

Capital assets and depreciation

Capital assets and improvements with an estimated historical cost or cost of more than $1,000 are capitalized and updated for additions and retirements during the year. The costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are expensed.

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

An estimated useful life for equipment is 5 years and leasehold improvement is 40 years.

Intergovernmental revenues

The School participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues (State Foundation) in the accounting period in which all eligibility requirements have been met.

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

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

Compensated Absences

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

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

Accrued liabilities, other

Obligations incurred but unbilled prior to June 30, 2008, are reported as accrued liabilities in the accompanying financial statements.

Exchange and non-exchange transactions

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 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.

2. CASH AND DEPOSITS:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2008, $118,279 of the School's bank balance was in excess of the federal deposit insurance limit. The balance in excess of the federal deposit insurance limit was covered by pooled investments held by the bank where the funds were held during the year.

The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

3. RECEIVABLES:

Accounts receivable

Accounts Receivable at June 30, 2008 include of amounts due the School from ISUS Inc., for state, federal, and other sources received by ISUS, Inc. that are passed through to the School. These receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

Accounts Receivable at June 30, 2008 consisted of the following:

ISUS, Inc.	$	420,851
Sinclair Community College		111,040
Institute of Health Care		260,487
Institute of Manufacturing		226,968
Other		48,274
Total accounts receivable	$	1,067,620

Intergovernmental receivable

Intergovernmental receivable at June 30, 2008 consisted of the following:

Ohio Department of Education	$	4,925
Dissemination - charter school		9,524
School Lunch		5,386
Total intergovernmental receivable	$	19,835

4. RISK MANAGEMENT:

Property and liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the period ended June 30, 2008, the School contracted with the Cincinnati Insurance Company for property and general liability insurance.

The School leased a facility on which they were named insured's with ISUS Inc., with coverage provided by The Cincinnati Insurance Company. Coverage included personal property $1,688,500; employee dishonesty $300,000; and general liability $1,000,000 with an aggregate limit of $2,000,000.

Worker's compensation

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

Employee, medical, dental, and vision benefits

The School, through a contract held by ISUS, Inc., provides employee dental, life, vision, and medical and surgical benefits. The School pays 80% of the monthly premium and the employee is responsible for the remaining 20%, except for dental insurance which is split 50/50 by the School and employee. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents.

5. DEFINED PENSION BENEFITS PLANS:

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 State Statue 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, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853 or by visiting www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. 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 contributions to SERS for the fiscal year ended June 30, 2008 and 2007 were $160,544 and $122,904, respectively; equal to the required contributions for each year.

State Teachers Retirement System

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, or by visiting STRS Ohio web-site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on 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, 2008, plan members were required to contribute the statutory maximum of 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations for the fiscal year ended June 30, 2008 and 2007 were $106,765 and $94,976, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

6. POST-EMPLOYMENT BENEFITS:

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board (the Board) has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Board allocated contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $7,626 for fiscal year 2008.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was $4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were $265,558,000 and STRS had 122,934 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 premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household's income falls below the poverty level.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is project to cover normal costs each year an amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School's contributions for the years ended June 30, 2008 and 2007 were $38,072 and $39,883, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007, the minimum compensation level was established at $35,000.

The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

7. OTHER EMPLOYEE BENEFITS-COMPENSATED ABSENCES:

The criteria for determining vacation and sick leave components are derived from School policy and State laws. Full-time employees earn 2 days of vacation after 90 day of employment and 7 days on the employee's annual employment anniversary. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers, administrators, and employees earn sick leave at the rate of three hours per pay period, accruable to 80 hours. Sick leave in excess of 80 hours is reimbursed on a quarterly basis.

8. CONTINGENCIES:

Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2008.

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 results of this review could result in state funding being adjusted. This information was not available as of the date of this report.

9. RELATED PARTY TRANSACTIONS:

Related party

The Superintendent also serves as the Legal Counsel for the School. The School was not involved in significant legal actions during fiscal year 2008.

Accounts payable

Included in the accounts payable balance is $304,444 due to ISUS Inc. for reimbursement of administrative employees payroll, office supplies, and lease payments.

Improved Solutions for Urban Systems, Inc. (ISUS)

Improved Solutions for Urban Systems, Inc. (ISUS) is a not-for-profit corporation in the State of Ohio, operated under the direction of a different Board of Trustees. The School paid $1,530,054 for administrative services to this organization during fiscal year 2008. At June 30, 2008 the School was due $420,851 from the organization and owed the organization $304,444. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Accountant, at 140 North Keowee Street, Dayton, OH 45402.

The ISUS Institute of Manufacturing

The ISUS Institute of Manufacturing is a not-for-profit corporation in the State of Ohio, operated under the direction of the same Board of Trustees as this School. The School paid $12,582 for administrative services to this organization during fiscal year 2008. At June 30, 2008, the School was due $226,968 from the organization but did not owe the organization. To obtain financial information, write to The ISUS Institute of Construction Technology, David Bridge, Accountant, at 140 North Keowee Street, Dayton, OH 45402.

The ISUS Institute of Health Care

The ISUS Institute of Health Care is a not-for-profit corporation in the State of Ohio, operated under the direction of the same Board of Trustees as this School. The School paid $440 for administrative services to this organization during fiscal year 2008. At June 30, 2007, the School was due $260,487 from the organization and owed the organization $157. To obtain financial information, write to The ISUS Institute of Construction Technology, David Bridge, Accountant, at 140 North Keowee Street, Dayton, OH 45402

10. OPERATING LEASE

During fiscal year 2008, the School leased a building and office facility under an operating lease agreement ending June 30, 2008 from ISUS, Inc. Total lease payments were $325,117 for the year ended June 30, 2008, which includes utilities, telephone service, and janitorial service. The basis for determining the payment was the square footage occupied by the School. The lease arrangement states it will automatically renew for four successive one year periods, absent an action by either of the parties to terminate the lease.

11. PURCHASED SERVICES:

For the fiscal year 2008, purchased services expenses were payments for services rendered by various vendors for the following:

Professional/Technical Services	$	26,469
Contracted Craft/Trade Services		520,824
Administrative		590,923
Total purchased services	$	1,138,216

12. CAPITAL ASSETS:

A summary of the capital assets at June 30, 2008 follows:

		Balance 6/30/2007	Additions	Reductions	Balance 6/30/2008
Capital Assets, being depreciated:					
Furniture and equipment	$	367,461	26,085	-	393,546
Leasehold improvements		22,768	-	-	22,768
Less: accumulated depreciation		(185,624)	(63,350)	-	(248,974)
Capital assets, net	$	204,605	(37,265)	-	167,340

13. RELATED ORGANIZATIONS:

ISUS Trade and Technology Community School of Columbus and the ISUS Trade and Technology Community School of Springfield are community schools in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The abovementioned schools are in the start-up phase of the community school process. The School provides administrative services to the abovementioned community schools. To obtain financial information, write to The ISUS Institute of Construction Technology, Montgomery County, David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

The ISUS Institute of Manufacturing is a community school in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The School provides administrative services to the abovementioned community school with an amount due, as of June 30, 2008, to the School as defined in Note 9. The School paid $12,582 for administrative services to this organization during fiscal year 2008. To obtain financial information, write to The ISUS Institute of Construction Technology, Montgomery County, David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

The ISUS Institute of Health Care is a community school in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The School provides administrative services to the abovementioned community school with an amount due, as of June 30, 2008, to the School as defined in Note 9. The School paid $440 for administrative services to this organization during fiscal year 2008. To obtain financial information, write to The ISUS Institute of Construction Technology, Montgomery County, David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

Improved Solutions for Urban Systems, Inc. (ISUS) is a not-for-profit corporation in the State of Ohio, operated under the direction of a different Board of Trustees. The School paid $1,530,054 for administrative services to this organization during fiscal year 2008. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

14. INTERGOVERNMENTAL PAYABLE:

Intergovernmental payables at June 30, 2008 consisted of the following:

Montgomery County Juvenile Center	$	96
School Employees Retirement System		8,117
Treasurer of State of Ohio		4,068
Total intergovermental payable	$	12,281

15. ACCOUNTS PAYABLE:

Accounts payable at June 30, 2008 consisted of the following:

ISUS, Inc.	$	304,444
Institute of Health Care		157
Other		36,530
Total accounts payable	$	341,131

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number		Receipts	Grant Expenditures
United States Department of Agriculture					
Passed through Ohio Department of Education					
Nutrition Cluster:					
School Breakfast Program	10.553	08PU-2008	$	12,782	12,782
National School Lunch Program	10.555	LLP8-2008		29,051	29,051
Total United States Department of Agriculture - Nutrition Cluster				41,833	41,833
United States Department of Education					
Passed through Ohio Department of Education:					
Title I Grants to Local Education Agencies	84.010	C1S1-08		56,178	54,063
Special Education Grants to States	84.027	6BSF-08		48,533	48,531
State Grants for Innovative Programs	84.298	C2S1-08		19	-
Improving Teacher Quality State Grants	84.367	TRS1-08		24,094	24,094
PCSP- Dissemination	84.282A	CHS2-2008		213,888	213,888
Safe and Drug Free Schools	84.186	DRS1-08		965	965
Education Technology State Grants	84.318	TJS1-08		260	260
Total United States Departement of Education				343,937	341,801
United States Department of Housing and Urban Development					
Opportunities for Youth - Youthbuild Program	14.243	Y-06-IM-OH-0058		375,614	375,614
Total Opportunities for Youth - Youthbuild Program				375,614	375,614
United States Department of Labor					
Passed Through From ISUS Corp.					
Youth Offender- High Growth Grant	17.261	YF-14830-05-60		151,970	151,970
YouthBuild Grants	17.274	YB-16921-08-60-A-39		15,262	15,262
				167,232	167,232
Total Federal Financial Assistance			$	928,616	926,480

See accompanying notes to Schedule of Expenditures of Federal Awards.

1. SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the School's federal award programs. The Schedule has been prepared in conformity with accounting principles generally accepted in the United States of America.

Note - $540,695 of the federal awards receipts are included in the ISUS (on behalf) revenue line item on the Statement of Revenues, Expenses and Changes in Net Assets.

2. MATCHING REQUIREMENTS:

Certain Federal programs require that the School contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School complied with these matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
The ISUS Institute of Construction Technology
Dayton, Ohio

We have audited the financial statements of The ISUS Institute of Construction Technology as of and for the year ended June 30, 2008, and have issued our report thereon dated December 17, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The ISUS Institute of Construction Technology's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The ISUS Institute of Construction Technology's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The ISUS Institute of Construction Technology'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 the normal course of 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 generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether The ISUS Institute of Construction Technology's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of The ISUS Institute of Construction Technology, in a separate letter dated December 17, 2008.

This report is intended solely for the information and use of the Board of Directors, management, others within the School and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 17, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
The ISUS Institute of Construction Technology
Dayton, Ohio

Compliance
We have audited the compliance of The ISUS Institute of Construction Technology with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The ISUS Institute of Construction Technology's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The ISUS Institute of Construction Technology's management. Our responsibility is to express an opinion on The ISUS Institute of Construction Technology's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ISUS Institute of Construction's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The ISUS Institute of Construction Technology's compliance with those requirements.

In our opinion, The ISUS Institute of Construction Technology complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance
The management of The ISUS Institute of Construction Technology is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The ISUS Institute of Construction Technology internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The ISUS Institute of Construction Technology internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Directors, management, others within the School and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 17, 2008

1. Summary of Auditors' Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	- Youth Offender High Growth grant CFDA 14.261 - Public Charter School Program CFDA 84.282
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

3. Findings and Questioned Costs for Federal Awards

None

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315(b)[1]

June 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain**:
N/A	None	N/A	N/A

No prior findings and questioned costs.

Mary Taylor, CPA
Auditor of State

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

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
JANUARY 6, 2009

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