



Mary Taylor, CPA
Auditor of State

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

TechCon Institute Community School
Montgomery County
2075 Shiloh Springs Road, Suite 100
Dayton, 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, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TechCon Institute Community School, as of June 30, 2008, 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 March 24, 2009, 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 Discussions 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

March 24, 2009

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of TechCon Institute's (the School) financial performance provides an overall review of the School's 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 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, 2008 are as follows:

In total, net assets were \$280,626 at June 30, 2008.

The School had operating revenues of \$491,290 and operating expenses of \$437,473. The School also received \$51,524 in federal and state grants and \$363 in interest income. The total change in net assets for the fiscal year was \$105,704.

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 2008?" 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, 2008
UNAUDITED**

Table 1 provides a summary of the School's net assets for June 30, 2008 compared to June 30, 2007.

**Table 1
Net Assets**

	June 30, 2008	June 30, 2007
Assets		
Current and Other Assets	\$278,617	\$162,371
Capital Assets, Net	34,172	36,448
Total Assets	<u>312,789</u>	<u>198,819</u>
Liabilities		
Current Liabilities	32,163	23,897
Total Liabilities	<u>32,163</u>	<u>23,897</u>
Net Assets		
Invested in Capital Assets	34,172	36,448
Restricted for Special Purposes	29,146	87,361
Unrestricted	217,308	51,113
Total Net Assets	<u>\$280,626</u>	<u>\$174,922</u>

Over time, net assets can serve as a useful indicator of a government's financial position. Net assets increased by \$105,704 during fiscal year 2008. Cash and cash equivalents and net assets unrestricted increased due mostly to the increase in state foundation revenue due to an increase in students for fiscal year 2008.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, compared to the period ended June 30, 2007.

**Table 2
Changes in Net Assets**

	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Operating Revenues		
State Foundation	\$479,058	\$269,574
Other Operating Revenues	12,232	6,164
Total Operating Revenues	<u>491,290</u>	<u>275,738</u>
Non- Operating Revenues		
Federal and State Grants	51,524	319,026
Interest	363	
Total Non-Operating Revenues	<u>51,887</u>	<u>319,026</u>
Total Revenues	<u>543,177</u>	<u>594,764</u>

(Continued)

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

**Table 2
Changes in Net Assets
(Continued)**

	Fiscal Year Ended June 30, 2008	Fiscal year Ended June 30, 2007
Operating Expenses		
Salaries	160,404	140,018
Fringe Benefits	35,889	24,316
Purchased Services	153,002	112,823
Materials and Supplies	54,812	159,279
Depreciation	6,131	2,045
Other	27,235	25,382
Total Operating Expenses	<u>437,473</u>	<u>463,863</u>
Increase (Decrease) in Net Assets	105,704	130,901
Net Assets Beginning of Year	<u>174,922</u>	<u>44,021</u>
Net Assets End of Year	<u>\$280,626</u>	<u>\$174,922</u>

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. State Foundation payments accounted for 88 percent of revenues during fiscal year 2008, and federal and state grants accounted for approximately 9 percent of all revenues. State Foundation revenue increased during fiscal year 2008 due to the increased number of students. Federal and state grants decreased from fiscal year 2007 because in 2007, the School received a Federal Charter School Startup grant of \$300,000. Salaries, benefits and purchased services increased because of the increase in the number of students. Materials and supplies expenses decreased because in fiscal year 2007 there was a large increase in this expense due to the computer equipment purchased with the Federal Charter School Startup Grant in fiscal year 2007.

Capital Assets

At June 30, 2008, the School had \$34,172 invested in machinery and equipment compared to \$36,448 at June 30, 2007. The decrease in capital assets was due to the depreciation on assets being more than the acquisitions for fiscal year 2008.

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 considered 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 Jacqueline Bolton, 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, 2008**

Assets:

Current Assets:

Cash and Cash Equivalents	\$242,200
Intergovernmental Receivable	36,417
Total Current Assets	<u>278,617</u>

Non-Current Assets:

Capital Assets, Net	34,172
Total Assets	<u><u>312,789</u></u>

Liabilities:

Current Liabilities:

Accounts Payable	5,033
Accrued Wages and Benefits Payable	13,554
Compensated Absences Payable	1,308
Intergovernmental Payable	12,268
Total Current Liabilities	<u>32,163</u>

Net Assets

Invested in Capital Assets	34,172
Restricted for Special Purposes	29,146
Unrestricted	217,308
Total Net Assets	<u><u>\$280,626</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, 2008**

Operating Revenues:	
State Foundation	\$479,058
Other Operating Revenues	12,232
Total Operating Revenues	<u>491,290</u>
Operating Expenses	
Salaries	160,404
Fringe Benefits	35,889
Purchased Services	153,002
Materials and Supplies	54,812
Depreciation	6,131
Other	27,235
Total Operating Expenses	<u>437,473</u>
Operating Income	<u>53,817</u>
Non-Operating Revenues	
Federal Grants	48,524
State Grants	3,000
Interest	363
Total Non-Operating Revenues	<u>51,887</u>
Change in Net Assets	105,704
Net Assets Beginning of Year	<u>174,922</u>
Net Assets End of Year	<u><u>\$280,626</u></u>

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, 2008**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State Foundation	\$502,553
Cash Received from Other Operating Revenues	12,342
Cash Payments for Employee Services and Benefits	(188,353)
Cash Payments for Goods and Services	(208,607)
Cash Payments for Other Operating Expenses	(26,596)
<i>Net Cash Provided by Operating Activities</i>	91,339

Cash Flows from Noncapital Financing Activities:

Federal Grants	33,009
State Grants	3,000
<i>Net Cash Provided by Noncapital Financing Activities</i>	36,009

Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Asset	(3,855)
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Cash Flows from Investing Activities

Interest	363
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Net Increase in Cash and Cash Equivalents	123,856
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Cash and Cash Equivalents Beginning of Year	118,344
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Cash and Cash Equivalents End of Year	242,200
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Reconciliation of Operating Income to Net Cash

Used In Operating Activities:

Operating Income	53,817
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Adjustments to Reconcile Operating Income to

Net Cash Used In Operating Activities:

Depreciation	6,131
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Changes in Assets and Liabilities:

Decrease in Accounts Receivable	309
Decrease in Intergovernmental Receivable	22,484
Decrease in Prepaid Items	332
Increase in Accounts Payable	1,060
Increase in Accrued Wages and Benefits	3,024
Increase in Compensated Absences Payable	654
Increase in Intergovernmental Payable	3,528
<i>Net Cash Used In Operating Activities</i>	\$91,339

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, 2008**

1. DESCRIPTION OF THE INSTITUTE AND REPORTING ENTITY

TechCon Institute (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 candidates prepared by the Nominating Committee. The Board of Directors are responsible for carrying out the provisions of the contract with the Sponsor, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Board appoints an Executive Director by majority vote who is the Chief Executive Officer of TechCon Institute and responsible for operating the day-to-day business affairs of the School, subject to the supervision of the Board.

The Board of Directors controls the School's one instructional/support facility which was staffed by two certified teachers, three classified employees and one administrator who provided instructional services to 73 students during fiscal year 2008. The School contracts with an outside party for Treasurer services.

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, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of TechCon Institute have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2008
(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 and Cash Equivalents

All monies received by the School are maintained in a demand deposit account or invested. For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

During the year, the School invested in STAR Ohio, an investment pool managed by the State Treasurer's Office. STAR Ohio allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

F. 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

G. 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 enabling legislation adopted by the School or 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. Of the School's \$29,146 in restricted net assets, \$0 was restricted by enabling legislation.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

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

I. Accrued Liabilities and Long-Term Obligations

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

J. 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.

K. 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 amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate enrollment data to the State, upon which state foundation funding is calculated.

The School also participates in the State EMIS program, and was awarded and received \$3,000 from this program during fiscal year 2008. The School also participated in several federal grant programs during fiscal year 2008. Under these programs, the School was awarded \$57,010 and received \$25,046 of this amount during the fiscal year ended June 30, 2008.

L. 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.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2008, the book balance of the School's deposits was \$87,837 and the bank balance was \$99,745.

B. Investments

At June 30, 2008, the School had \$154,363 invested in STAR Ohio. STAR Ohio is an investment pool and has various interest rates.

Interest Rate Risk: The School does not have a formal investment policy that addresses interest rate risk.

Concentration of Credit Risk: The School places no limit on the amount it may invest in any one issuer. 100% of the School's investments at June 30, 2008, were in STAR Ohio.

Credit Risk: The School's investment in STAR Ohio was rated AAAM by Standard & Poor's at June 30, 2008.

4. RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental receivables. All receivables are considered collectible in full and are expected to be received within one year. A summary of intergovernmental receivables follows:

Description	Amount
Reimbursement	\$ 436
Title V Grant	286
Title II-D Grant	476
Drug-Free Grant	560
Title II-A Grant	1,863
Title VI-B Grant	9,274
Title I	19,505
State Employees Retirement System	1,959
Ohio Teachers Retirement System	2,058
	\$36,417

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 7/01/07	Additions	Deductions	Balance 6/30/08
Machinery and Equipment	\$40,161	\$3,855		\$44,016
Less Accumulated Depreciation:				
Machinery and Equipment	(3,713)	(6,131)		(9,844)
Capital Assets, Net	\$36,448	(\$2,276)	\$0	\$34,172

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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 2008, the School contracted with Indiana Insurance for property insurance and general liability insurance.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

B. Workers' Compensation

For fiscal year 2008, 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 ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to entities that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

7. PURCHASED SERVICES

For the fiscal year ended June 30, 2008, purchased services were as follows:

Professional and Technical Services	\$69,449
Property Services	32,886
Travel and Meetings	11,345
Communications	35,987
Craft and Trade Services	792
Utilities	825
Other Purchased Services	1,718
Total Purchased Services	<u>\$153,002</u>

8. PERSONNEL AGREEMENT

The School entered into a service contract for Treasurer Services. Total payments made in fiscal year 2008 were \$18,924.

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. Starting June 1, 2008, the School entered into a month to month lease.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - 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 School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,034, \$686 and \$3,187, respectively. 100 percent has been contributed for fiscal year 2008, 2007 and 2006.

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, by calling (888) 227-7877, or by visiting the 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The I was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006, were \$17,687 \$18,334 and \$16,831, respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006. The School did not have any employees who participated in the DC or Combined Plans for the fiscal year ended June 30, 2008.

11. POST-EMPLOYMENT 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, 2008, 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 2007. For the School, this amount equaled \$1,361 for the fiscal year ended June 30, 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The School's contributions for the fiscal year ended June 30, 2008 were \$147 which equaled the required contributions for the fiscal year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare 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 remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2008, the health care allocation was 4.18 percent of covered payroll. The actuarially required contribution as of the December 31, 2006 annual valuation was 11.50% of covered payroll. The actuarially required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

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 2008, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$1,622.

The SERS Retirement Board establishes 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 stand-alone report. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853, or by visiting the SERS website at ohsers.org under forms and publications.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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 \$3,428 to MDECA during fiscal year 2008. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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. The School owed \$5,057, which will be repaid over eight months starting November 2008.

16. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2008, the Academy has implemented GASB Statement No. 50 "Pension Disclosures." The implementation of this statement had no affect on the financial statements as previously reported.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the business-type activity, of TechCon Institute Community School, Montgomery County, (the School) as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 24, 2009. 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 March 24, 2009.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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 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 March 24, 2009.

We intend this report solely for the information and use of the management, Board of Directors, the Community School's sponsor. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 24, 2009



Mary Taylor, CPA
Auditor of State

**TECHCON INSTITUTE COMMUNITY SCHOOL
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 7, 2009**