



TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



Auditor of State  
Betty Montgomery



**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Balance Sheet as of June 30, 2002 .....	3
Statement of Revenues, Expenses, and Changes in Deficit/Retained Earnings for the Year Ended June 30, 2002 .....	4
Statement of Cash Flows for the Year Ended June 30, 2002.....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Technical College Preparatory World Academy  
Hamilton County  
6000 Ridge Avenue  
Cincinnati, Ohio 45213

To the Board of Trustees:

We have audited the accompanying balance sheet of the Technical College Preparatory World Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2002, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings, and the Statement of Cash Flows for the year then ended 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 Technical College Preparatory World Academy, Hamilton County, as of June 30, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Technical College Preparatory World Academy  
Hamilton County  
Independent Accountants' Report  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2003 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



**Betty Montgomery**  
Auditor of State

April 10, 2003

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2002**

**Assets**

**Current Assets:**

Cash	\$ 163,668
Intergovernmental Receivable	25,587
Loan Receivable from Director	<u>15,000</u>
Total Current Assets	204,255
 <b><u>Noncurrent Assets:</u></b>	
Loan Receivable from Director	14,611
Fixed Assets (Net of Accumulated Depreciation)	<u>238,373</u>
Total NonCurrent Assets	<u>252,984</u>
Total Assets	<u>\$ 457,239</u>

**Liabilities and Fund Equity**

**Current Liabilities:**

Accrued Wages and Benefits	\$ 136,990
Intergovernmental Payable	21,164
Lease Payable	<u>64,116</u>
Total Current Liabilities	222,270

**Noncurrent Liabilities:**

Lease Payable	<u>149,996</u>
Total Liabilities	<u>372,266</u>

**Fund Equity:**

Retained Earnings:	
Unreserved	<u>84,973</u>
Total Fund Equity	<u>84,973</u>
Total Liabilities and Fund Equity	<u>\$ 457,239</u>

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

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
DEFICIT/RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2002**

**Operating Revenues**

Foundation Payments	\$ 1,241,556
Disadvantaged Pupil Impact Aid	235,250
Food Service	7,000
Other Operating Revenue	<u>42,009</u>
Total Operating Revenues	<u>1,525,815</u>

**Operating Expenses**

Salaries	980,209
Fringe Benefits	317,278
Purchased Services	132,922
Materials and Supplies	207,675
Depreciation	76,673
Other Operating Expenses	<u>6,798</u>
Total Operating Expenses	<u>1,721,555</u>
Operating Loss	<u>(195,740)</u>

**Non-Operating Revenues/(Expenses)**

Other State Grants	45,279
Federal Grants	264,015
Interest Income	1,338
Interest Expense	<u>(18,503)</u>
Total Non-Operating Revenues/(Expenses)	<u>292,129</u>

<b>Net Income</b>	96,389
Deficit at Beginning of Year (Restated-see note 13)	<u>(11,416)</u>
Retained Earnings at End of Year	<u>\$ 84,973</u>

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

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2002**

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

**Cash Flows from Operating Activities**

Cash Received from State of Ohio	\$ 1,476,806
Cash Received for Food Service	7,000
Cash Payments to Employees for Services and their benefits	(1,332,811)
Cash Payments to Suppliers for Goods and Services	(341,797)
Other Operating Revenue	42,009
Other Operating Expense	<u>(6,798)</u>
Net Cash Used by Operating Activities	<u>(155,591)</u>

**Cash Flows from Noncapital Financing Activities**

State and Federal Grants Received	<u>373,968</u>
Net Cash Provided by Noncapital Financing Activities	<u>373,968</u>

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

Acquisition of Capital Assets	(30,543)
Repayment of Loan to Director	15,062
Capital Lease Payable including Interest	<u>(78,000)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(93,481)</u>

**Cash Flows from Investing Activities**

Cash Received from Interest Revenue	<u>1,338</u>
Net Cash Provided from Investing Activities	<u>1,338</u>
Net Increase in Cash and Cash Equivalents	126,234
Cash and Cash Equivalents at Beginning of Year	<u>37,434</u>
Cash and Cash Equivalents at End of Year	<u>\$ 163,668</u>

**Reconciliation of Operating Loss to Net Cash Provided/  
Used for Operating Activities**

Operating Loss	\$ (195,740)
----------------	--------------

**Adjustments To Reconcile Operating Loss to Net Cash Provided/  
(Used) for Operating Activities**

Depreciation	76,673
Changes in Assets and Liabilities:	
(Decrease) in Accounts Payable	(1,200)
(Decrease) in Intergovernmental Payable	(60,397)
Increase in Accrued Wages	<u>25,073</u>
Total Adjustments	<u>40,149</u>
Net Cash Provided by Operating Activities	<u>\$ (155,591)</u>

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

**This page intentionally left blank.**

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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

Technical College Preparatory World Academy, Hamilton County, Ohio (the School), is a state governmental nonprofit corporation established pursuant to Ohio Rev. Code, Chapters 3314 and 1702, to provide an appropriate educational facility and program for grades kindergarten through sixth and to provide instruction in courses which meet general educational requirements compatible with and approved by the State of Ohio. 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 was approved for operation under contract with the State Board of Education (the Sponsor) for a period of five years commencing July 1, 2000. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board. The Board is 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/support facility staffed by 16 certificated full time teaching personnel and 18 noncertified personnel.

The School opened in Cincinnati in July of 2000 and is financed through the Ohio Department of Education, as well as through federal and state grants. The mission of the School is for the students to become academically involved, independent learners, through quality class participation, participation in micro-society activities, and utilizing technology for higher learning.

The Superintendent of the School and the Superintendent's brother, who is employed by the School, are members of the Board. See Note 12 for more information on the related party transactions.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation**

The School uses enterprise accounting to track and report on its financial activities. 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/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**B. Measurement Focus and Basics of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

**C. Budgetary**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

**D. Cash**

All monies received by the School are accounted for by the School's Treasurer. For cash management, all cash received by the Treasurer is deposited within four different bank accounts. Total cash for the School is presented as "cash" on the accompanying balance sheet.

The school had no investments during the fiscal year.

**E. Fixed Assets and Depreciation**

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School capitalizes all computers and maintains a capitalization threshold of one thousand dollars for all other fixed assets. The School does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five to ten years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

The building qualifies as a capital lease and is depreciable over the term of the lease which is five years.

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**F. Intergovernmental Revenue**

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

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

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

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$190,000 to offset start-up costs of the School. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for the 2002 school year totaled \$1,786,100.

**3. DEPOSITS**

At June 30, 2002 the carrying amount of the School's deposits was \$163,688. The bank balance of the School's deposits was \$191,964. Of the bank balance, \$149,435 was covered by federal depository insurance. The remaining \$42,529 was not insured or collateralized.

**4. RECEIVABLES**

Receivables at June 30, 2002 consisted of funds from intergovernmental receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of state programs and the current year guarantee of federal funds.

**5. FIXED ASSETS**

A summary of the School's fixed assets at June 30, 2002:

Furniture and Equipment	\$60,999
Building	<u>324,375</u>
Total Fixed Assets	385,374
Less: Accumulated Depreciation	(147,001)
Net Fixed Assets	<u>\$238,373</u>

There was no construction in progress at June 30, 2002.

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(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 natural disasters. For fiscal year 2002, the School contracted with Hartford Casualty Insurance Company for property and general liability insurance. General liability is protected by Hartford Casualty Insurance Company with a \$1,000,000 single occurrence limit and \$2,000,000 aggregate and no deductible.

There were no settlements that exceeded insurance coverage for the year.

**B. Employee Medical, Dental, and Vision Benefits**

The School has contracted with a private carrier to provide employee medical/surgical and dental benefits. The School pays 100% of the monthly premium.

**C. Worker's Compensation**

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute 5.46. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School's required contribution for pension obligations to SERS for the fiscal year ended June 30, 2002 was \$18,119 and \$17,229 for fiscal year 2001; all has been contributed for fiscal year 2002.

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**B. State Teachers Retirement System**

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivors, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School is required to contribute 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contribution for pension obligation to STRS for the fiscal year ended June 30, 2002 was \$61,594 and \$46,310 for fiscal year 2001. All has been contributed for fiscal year 2002.

**8. POSTEMPLOYMENT BENEFITS**

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School, this amount equaled \$29,176 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001 (the latest information available) the balance in the fund was \$3,256,000. At June 30, 2000 (the latest information available) net health care costs paid by STRS were \$283,137,000 and STRS had 102,000 eligible benefit recipients.

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay has been established at \$12,400. For the School, the amount to fund health care benefits, including surcharge, equaled \$28,339 during the 2002 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001(the latest information available), were \$161,439,934 and the target level was \$242.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**9. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed ". . . the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient . . ." The School is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**10. OHIO DEPARTMENT OF EDUCATION REVIEWS**

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 review resulted in the discovery of an underpayment to the School in the amount of \$13,676. As of the date of this report, these additional monies have been paid to the School.

**11. LEASE OF BUILDING/LOAN TO SCHOOL SUPERINTENDENT**

The Superintendent of the School (The Superintendent is also the President of the Board) purchased the building in which the School is currently operating for \$340,000. The Superintendent borrowed \$54,000 from the School and used the proceeds for a portion of the down payment on the building. The Board approved by resolution that the Superintendent will pay the School back over forty months, \$15,000 each year for the first three years and the remaining amount in the fourth year. No interest will be paid.

In fiscal year 2002, \$15,062 was paid to the School. At June 30, 2002, \$29,611 is still due to the School and is shown as a Loan Receivable from Director on the financial statements.

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**11. LEASE OF BUILDING/LOAN TO SCHOOL SUPERINTENDENT (Continued)**

The Superintendent leases the building to the School for \$6,500 a month with an imputed interest rate of 7.5% for five years. The lease qualifies as a capital lease and is recorded as a fixed asset at the present value of the future minimum lease payments. The building is depreciated by the School over the term of the lease and the capitalized value of the building is \$324,375. For fiscal year 2002, \$59,497 was paid in principal and \$18,503 was paid in interest.

The future minimum lease payments are as follows:

<u>Year Ended June 30</u>	
2003	\$78,000
2004	78,000
2005	78,000
2006	<u>6,486</u>
Total minimum lease payments	240,486
Less: imputed interest	<u>(26,374)</u>
Present value of net minimum lease payments	<u>\$214,112</u>

Insurance of the building and the contents is the responsibility of the School.

**12. PRIOR PERIOD ADJUSTMENT**

A restatement in the Enterprise Fund retained earnings was due to an error in the recording of fixed assets during fiscal year 2001.

Retained Earnings Balance as of June 30, 2001	\$ 23,504
Adjustment for restatement of Fixed Assets	<u>(34,920)</u>
Restated Retained Earnings Balance as of June 30, 2001	<u>\$ (11,416)</u>

**D. RELATED PARTY TRANSACTIONS**

The School's Treasurer owns and operates GDI, Inc., a firm that the School hired for web development and hiring of foreign teachers. The School paid the Treasurer \$1,200 directly for these services and paid GDI, Inc. \$500 for these services.

The Superintendent's brother is employed as the School's Nurse/Disciplinarian and also holds a seat on the School's board. He was paid \$27,173 during fiscal year 2001.

As described in Note 11, at June 30, 2002, the School has an outstanding loan receivable of \$29,611 due from the Superintendent.

**E. TAX EXEMPT STATUS**

The School has obtained its 501(c)(3) tax exempt status. 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.

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**13. 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, 2002.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Technical College Preparatory World Academy  
Hamilton County  
6000 Ridge Avenue  
Cincinnati, Ohio 45213

To the Board of Trustees:

We have audited the financial statements of Technical College Preparatory World Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2002, and have issued our report thereon dated April 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated April 10, 2003.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 10431-2002-001.

Technical College Preparatory World Academy  
Hamilton County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is not considered to be material weaknesses.

We also noted another matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the School in a separate letter dated April 10, 2003.

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



**Betty Montgomery**  
Auditor of State

April 10, 2003

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2002**

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

**FINDING NUMBER 10431-2002-001**

**Reportable Condition**

**Fixed Assets**

The School has not developed a fixed asset accounting system with the information required by its Fixed Asset Policy. The fixed asset accounting system maintains total fixed asset listings by location with tag identification numbers and other supplemental information. However, it does not include purchase price, purchase date, fund which incurred the expense, vendor and check number. Without the above listed detail, proper value for financial statements could be in error. The fixed asset policy adopted by the School requires the recording of assets along with the purchase date, purchase price, quantity, and whose funds were expended for the asset.

We recommend the School revise their current fixed asset listing so that it includes the information required by the Fixed Asset Policy, along with a description of the asset purchased, tag number, vendor and the check number used to make the purchase.

**This page intentionally left blank.**

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON COUNTY  
JUNE 30, 2002**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
*OMB CIRCULAR A -133 § .315 (b)***

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><u>Explain:</u></b>
2001-10431-001	SERS payments were not made timely.	Yes	
2001-10431-002	School did not maintain proper accounting records.	Yes	
2001-10431-003	Cash reconciliations were not performed monthly.	Yes	
2001-10431-004	The School lacked proper monitoring controls	Yes	
2001-10431-005	Weaknesses were noted in the School's disbursement cycle.	Yes	
2001-10431-006	Fixed Assets were not properly maintained	Partially Corrected	Repeated as finding 10431-2002-001.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**TECHNICAL COLLEGE PREPARATORY WORLD ACADEMY  
HAMILTON 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 20, 2003**