



**Auditor of State  
Betty Montgomery**



**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Balance Sheet - As of June 30, 2003 .....	3
Statement of Revenues, Expenses, and Changes in Retained Earnings – For the Year Ended June 30, 2003.....	4
Statement of Cash Flows – For the Year Ended June 30, 2003 .....	5
Notes to the Financial Statements .....	7
Schedule of Federal Awards Receipts and Expenditures – For the Year Ended June 30, 2003.....	17
Notes to Schedule of Federal Awards Receipts and Expenditures .....	18
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	19
Independent Accountants' Report on Compliance With Requirements Applicable to Major Federal Programs and Internal Control Over Compliance In Accordance With OMB Circular A-133.....	21
Schedule of Findings.....	23

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

ISUS Trade and Technology School of Cincinnati  
Hamilton County  
140 North Keowee Street  
Dayton, Ohio 45402-1309

To the Board of Governance:

We have audited the accompanying Balance Sheet of the ISUS Trade and Technology School of Cincinnati, Hamilton County, (the School) as of June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and 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 School as of June 30, 2003, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2004 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.

The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

April 22, 2004

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2003**

**ASSETS**

**Current Assets**

Cash	\$225,768
Accounts Receivable	25,137
Intergovernmental Receivable	<u>100,324</u>

Total Current Assets 351,229

**Non-Current Assets**

Equipment	49,448
Leasehold Improvements	9,528
Accumulated Depreciation	<u>(11,029)</u>

Total Non-Current Assets 47,947

**Total Assets** 399,176

**LIABILITIES AND EQUITY**

**Liabilities**

Accounts Payable	29,302
Intergovernmental Payable	168,798
Accrued Wages and Benefits Payable	54,696
Compensated Absences Payable	<u>9,244</u>

Total Liabilities 262,040

**Fund Equity**

Retained Earnings	<u>137,136</u>
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**Total Liabilities and Fund Equity** \$399,176

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

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>Operating Revenues</b>	
State Foundation	\$723,870
Disadvantage Pupil Impact Aid	6,481
Miscellaneous	<u>2,040</u>
Total Operating Revenues	<u>732,391</u>
<b>Operating Expenses</b>	
Salaries	961,178
Fringe Benefits	249,619
Purchased Services	271,478
Materials and Supplies	83,658
Depreciation	8,605
Other Operating Expenses	<u>31,172</u>
Total Operating Expenses	<u>1,605,710</u>
<b>Operating Loss</b>	<u>(873,319)</u>
<b>Non-Operating Revenues</b>	
Federal Grants	336,973
State Grants	12,052
Other Grants	<u>263,593</u>
Total Non-Operating Revenues	<u>612,618</u>
<b>Net Loss</b>	(260,701)
Retained Earnings at Beginning of Year	<u>397,837</u>
<b>Retained Earnings at End of Year</b>	<u><u>\$137,136</u></u>

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



**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003**

**Increase in Cash and Cash Equivalents**

**Cash Flows Provided By Operating Activities**

Cash Provided By State of Ohio	\$997,374
Cash Provided By Miscellaneous Sources	1,902
Cash Used For Employees for Services	(765,915)
Cash Used For Suppliers for Goods and Services	(966,756)
	<u>(966,756)</u>

Net Cash Used For Operating Activities	<u>(733,395)</u>
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**Cash Flows Provided By Noncapital Financing Activities**

Cash Provided By Other Grants	544,786
Cash Provided By Federal and State Grants	290,480
	<u>290,480</u>

Net Cash Provided By Noncapital Financing Activities	<u>835,266</u>
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**Cash Flows Provided By Capital and Related Financing Activities**

Cash Used For Acquisition of Capital Assets	(38,757)
	<u>(38,757)</u>

Net Increase in Cash	63,114
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Cash at Beginning of Year	<u>162,654</u>
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Cash at End of Year	<u>225,768</u>
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**Reconciliation of Operating Loss to Net Cash  
Used For Operating Activities**

Operating Loss	(873,319)
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**Adjustments to Reconcile Operating Loss to Net  
Cash Used For Operating Activities**

Depreciation	8,605
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**Change in Assets and Liabilities**

Decrease in Prepaid Items	1,271
Increase in Accounts Receivable	(25,137)
Decrease in Accounts Payable	(9,245)
Increase in Intergovernmental Payable	142,860
Increase in Accrued Wages and Benefits Payable	13,390
Increase in Compensated Absences Payable	8,180
	<u>8,180</u>

Net Cash Used For Operating Activities	<u>(\$733,395)</u>
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*The accompanying notes to the financial statements are an integral part of this statement.*

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**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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

ISUS Trade and Technology Prep Community School-Cincinnati (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 proposed to the Cincinnati City School District Board of Education, the sponsor. The Cincinnati City School District Board of Education approved the proposal and entered into a contract with the developers effective May 8, 2000. The first school year, for students, began on September 17, 2001.

The school operates under a six 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 eleven certificated counseling and teaching personnel, seven non-certificated instructional staff persons and administrative staff. Approximately one hundred forty-five students were served during the 2002-2003 school year.

The School participates in six 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 Lima, ISUS Trade and Technology Manufacturing, ISUS Trade and Technology of Springfield, and ISUS Trade and Technology Prep Community School, Montgomery County. These organizations are presented in Note 14 to the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of ISUS Trade and Technology Prep Community School-Cincinnati 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.

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**A. Basis of Presentation**

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.

**B. 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 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.

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

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the School's contract with its sponsor. The contract between ISUS Trade and Technology School of Cincinnati and its sponsor, the Cincinnati City School District Board of Education, requires the following:

- The Governing Authority agrees to comply with the financial plan that details an estimated school budget for each year of the period of this contract.
- Monthly financial reports of revenues and expenditures will be prepared for review by the Governing Authority. In addition, the corporate board will receive financial reports not less than quarterly.
- Submit quarterly cash flow analysis reports to the Sponsor. The quarterly reports will indicate year-to-date expenditures as well as monthly totals.

**D. Cash and Cash Equivalents**

The School's fiscal officer accounts for all monies received by the School. 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.

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**E. 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.

**F. Fixed Assets and Depreciation**

Fixed assets with an estimated historical cost or cost of more than \$500 are capitalized and updated for additions and retirements during the year. 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 is computed using the straight-line method over an estimated useful life of five years for Equipment and forty for leasehold improvements.

**G. Intergovernmental Revenue**

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. The School also received supplemental payments from Cincinnati City School District (the District) an amount equal to the difference between the District's adjusted per pupil amount and the formula amount for each Cincinnati City School District resident FTE student enrolled at the Community School. 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.

Amounts received under the above named programs for the 2003 school year totaled \$1,342,969.

**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 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.

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**I. Accrued Liabilities**

Obligations incurred but unbilled prior to June 30, 2003, are reported as accrued liabilities in the accompanying financial statements.

**J. 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.

**3. CASH AND DEPOSITS**

The following information classifies deposits by category of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

**Deposits:** At June 30, 2003, the School had a cash balance of \$225,768, which is presented as cash in the accompanying financial statements. The bank balance of the School's deposits was \$240,257. Of the bank balance \$100,000 was covered by federal deposit insurance and \$140,257 was covered by pooled collateral. Securities serving as collateral were held by the pledging financial institution's trust department in the bank's name. Non-compliance with federal requirements could potentially subject the School to a successful claim by the Federal Deposit Insurance Corporation.

**4. RECEIVABLES**

Receivables at June 30, 2003 consisted of the following amounts due the School:

**Intergovernmental**

Opportunities for Youth (Youthbuild Grant)	\$20,802
Cincinnati City School District	43,823
Grants to Local Educational Agencies – Title I	11,581
Teacher and Principal Training – Title II-A	3,045
Innovative Education Programs – Title V	131
Ohio School Facilities Commission for HVAC Upgrades	<u>20,942</u>
Total Intergovernmental	<u>\$100,324</u>

**Accounts**

Improved Solutions for Urban Systems, Inc. (ISUS)	<u>\$25,137</u> (See Note 11)
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**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. 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 the period ended June 30, 2003, the School contracted with The Cincinnati Insurance Company for property and general liability insurance.

The School owned no real property during the period. They 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 \$264,110; employee dishonesty \$300,000; and general liability \$1,000,000 with \$2,000,000 aggregate limit.

**B. Workers' 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.

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

The School has contracted with a private carrier to provide employee medical/surgical benefits. The School pays 85% of the monthly premium and the employee is responsible for the remaining 15%. The School pays 50% of the monthly vision premium and the employee is responsible for the other 50%. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents.

**6. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 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. 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2003 and 2002 were \$10,007 and \$8,590, respectively; 100 percent has been contributed for fiscal year 2003 and there is no unpaid contribution for fiscal year 2002.

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. DEFINED PENSION BENEFIT 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. 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 the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by 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 contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003 and 2002 were \$46,934 and \$14,820, respectively; 100 percent has been contributed for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2003 were \$4,902 made by the School and \$7,825 made by the plan members.



**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. 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 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 benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$3,610 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$4.79 billion. At June 30, 2003, net health care costs paid by STRS \$354,697,000 and STRS had 105,000 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. 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay was established at \$12,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$8,532.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,046,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**8. OTHER EMPLOYEE BENEFITS – COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from School policy and State laws. Employees earn seven days of vacation after one full year of employment. 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 hrs is reimbursed on a quarterly basis.

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**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. CONTINGENCIES**

**A. 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, 2003.

**B. Pending Litigation**

A Suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (ie., Charter) Schools program violates the State Constitution and State laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18<sup>th</sup>, 2003. The effect of this suit, if any, on the School is not presently determinable.

**C. 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 results of this review discovered an overpayment to the School in the amount of \$168,798. This amount is included in the Intergovernmental Payable and was deducted from the State Foundation revenues.

**11. RELATED PARTY TRANSACTIONS**

**A. Accounts Payable**

Included in the accounts payable balance of \$29,302 is \$19,804 due to ISUS Corporation for reimbursement of payroll taxes.

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. RELATED PARTY TRANSACTIONS (Continued)**

**B. Related Party**

The Vice-President of Operations also serves as the Legal Counsel for the School. The School was not involved in significant legal actions during fiscal year 2003.

**C. Improved Solutions for Urban Systems, Inc. (ISUS)** – Improved Solutions for Urban Systems, Inc. (ISUS) is a for-profit corporation in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The School paid \$13,829 for administrative services to this organization during fiscal year 2003. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Treasurer, at 140 North Keowee Street, Dayton, Ohio 45402.

**12. OPERATING LEASE**

On May 2, 2001, the School entered a lease with their sponsor, the Cincinnati City School District, for a building and office facility for a term of five years. The basis for determining the payment was the square footage occupied by the School: \$2.00 per square foot of classroom, administrative, and storage space and \$1.50 per square foot of shop space in the Premises. The lease contains scheduled rent increases of 3% per year, unless the Consumer Price Index rises less than 2% or more than 5%, in which case the rent will change by a percentage equal to the change in consumer price index.

In addition, the stated rent amount includes all utilities, including electricity, gas, water, and sewage service. Total lease payments made during the year were \$50,496.

The future minimum lease payments as of June 30, 2003, based on the abovementioned 3% rent increase per year, are as follows:

<b>Year Ending June 30,</b>	<b>Minimum Lease Payments</b>
2004	\$ 53,571
2005	55,178
2006	56,834
	<u>\$165,583</u>

**13. PURCHASED SERVICES**

For the fiscal period July 1, 2002 through June 30, 2003, purchased service expenses were payments for services rendered by various vendors as follows:

Professional Services	\$ 45,342
Postage and Delivery	2,296
Printing and Reproduction	3,989
Recruitment Expense	6,120
Rental Expense	50,496
Telephone	11,260
Travel and Entertainment	34,561
Tuition Expense	6,607
Contract Labor	<u>110,807</u>
Total	<u>\$ 271,478</u>

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**14. RELATED ORGANIZATIONS**

**ISUS Trade and Technology Prep Community School, Montgomery County** – ISUS Trade and Technology Prep Community School, Montgomery County is a distinct community school in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The School paid \$414,958 for health care premiums and payroll related reimbursements for payroll processing services for School employees, to this organization during fiscal year 2003. To obtain financial information, write to ISUS Trade and Technology Prep Community School, Montgomery County, David Bridge, Accounting Manager, at 140 North Keowee Street, Dayton, Ohio 45402.

**Improved Solutions for Urban Systems, Inc. (ISUS)** – Improved Solutions for Urban Systems, Inc. (ISUS) is a for-profit corporation in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The School paid \$13,829 for administrative services, such as health insurance, payroll, and financial management to this organization during fiscal year 2003. Amounts paid are not determined by contract, but by cost allocation of these services provided to the School. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Accounting Manager, at 140 North Keowee Street, Dayton, Ohio 45402

**ISUS Trade and Technology Community School of Columbus, ISUS Trade and Technology Community School of Lima, ISUS Trade and Technology Manufacturing and ISUS Trade and Technology of Springfield** are community schools in the State of Ohio, operated under the direction of the same Board of Trustees that operate the School. The abovementioned schools are in the start-up phase of the community school process. To obtain financial information, write to ISUS Trade and Technology Prep Community School, Montgomery County, David Bridge, Treasurer, at 140 North Keowee Street, Dayton, Ohio 45402.

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Disbursements
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Direct:</i>				
Opportunities for Youth - Youthbuild Program	14.243	Y-01-IM-OH-0111	\$191,947	\$214,960
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>				
<i>Passed through Ohio Department of Education</i>				
Title I Grant to Local Educational	84.010	C1-S1-2002 C1-S1-2003	37,317 27,584	26,692 36,951
Total Title I Grant to Local Educational Agencies			<u>64,901</u>	<u>63,643</u>
Safe and Drug Free Schools and Communities- State Grants	84.186	DR-S1-2003	791	791
Eisenhower Professional Development State Grants	84.281	MS-SI-2002	733	733
Innovative Education Programs Strategies	84.298	C2-S1-2002 C2-S1-2003	1,311 249	380
Total Innovative Education Programs Strategies			<u>1,560</u>	<u>380</u>
Title II- Part D Education Technology Grants	84.318	TJ-S1-2003	1,573	1,573
Class Size Reduction	84.340	CR-S1-2002	1,743	1,743
Title II- Part A Improving Teacher Quality	84.367	TR-S1-2003	8,836	11,881
Charter Schools Federal Startup	84.282	133496CH-S1-02		<u>22,463</u>
Total United States Department of Education			80,137	103,207
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through Ohio Department of Education</i>				
National School Lunch Program	10.555	LLP4-2002 LLP4-2003	608 10,456	608 10,456
Total United States Department of Agriculture - National School Lunch			<u>11,064</u>	<u>11,064</u>
<b>Total Federal Assistance</b>			<u><u>\$283,148</u></u>	<u><u>\$329,231</u></u>

*The notes to this schedule are an integral part of this schedule.*

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – NATIONAL SCHOOL LUNCH**

Cash receipts from the United States Department of Agriculture are commingled with State Grants and local funds. It is assumed federal monies are expended first.

**NOTE C - MATCHING REQUIREMENTS**

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



**Auditor of State  
Betty Montgomery**

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

ISUS Trade and Technology School of Cincinnati  
Hamilton County  
140 North Keowee Street  
Dayton, Ohio 45402-1309

To the Board of Governance:

We have audited the financial statements of ISUS Trade and Technology School of Cincinnati, Hamilton County (the School), as of and for the year ended June 30, 2003, and have issued our report thereon dated April 22, 2004. 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 the management of the School in a separate letter dated April 22, 2004.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School in a separate letter dated April 22, 2004.

This report is intended for the information and use of management, and the Board of Governance, 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.

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

**Betty Montgomery**  
Auditor of State

April 22, 2004





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

ISUS Trade and Technology School of Cincinnati  
Hamilton County  
140 North Keowee Street  
Dayton, Ohio 45402-1309

To the Board of Governance:

#### Compliance

We have audited the compliance of ISUS Trade and Technology School of Cincinnati, Hamilton County, (the School) 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 its major federal program for the year ended June 30, 2003. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of School's management. Our responsibility is to express an opinion on School'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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School'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 School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the School in a separate letter dated April 22, 2004.

#### Internal Control Over Compliance

The management of the School 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 School's 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, Board of Governance, 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.



**Betty Montgomery**  
Auditor of State

April 22, 2004

**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Opportunities for Youth – Youthbuild Program: CFDA # 14.243
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

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**ISUS TRADE AND TECHNOLOGY SCHOOL OF CINCINNATI**

**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 11, 2004**