



**Auditor of State
Betty Montgomery**

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes In Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11
Schedule of Federal Awards Expenditures	21
Notes to the Schedule of Federal Awards Expenditures	22
Independent Accountants' Report on Internal Control Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	25
Schedule of Prior Year's Audit Findings	27

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Technological College Preparatory World Academy
Hamilton County
6000 Ridge Road
Cincinnati, Ohio 45213

To the Board of Directors:

We have audited the accompanying Statement of Net Assets of the Technological College Preparatory World Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2004, and the related Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows for the year then ended. These basic 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 Technological College Preparatory World Academy, Hamilton County, Ohio, as of June 30, 2004, and the changes in financial position and cash flows, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21, during the year ended June 30, 2004, the School implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2005, 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 Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The Federal Awards Expenditures Schedule is 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 basic financial statements. We subjected the Federal Awards Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

August 18, 2005

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Unaudited)**

The discussion and analysis of the Technological College Preparatory World Academy, Hamilton County, Ohio (the School), financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

- In total, net assets decreased by \$94,939, which represents a 22 percent decrease from 2003. This decrease was the net result of a decrease in receivables \$17,715, a net decrease in capital assets of \$77,224 (depreciation charges of \$78,629 less increase of assets of \$1,405) and an increase in cash of \$3,012.
- Net liabilities decreased \$22,197 which represents 7 per cent decrease from 2003. Accrued wages and benefits, intergovernmental payables related to accrued pension benefits and accounts payable increased by \$46,896. Long term lease payable decreased by \$74,457.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

The Statement of Net Assets presents information on all the School's assets and liabilities, with the difference between the two reported as net assets. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Unaudited)
(Continued)**

Table 1 provides a summary of the School's net assets for fiscal year 2004 and fiscal year 2003:

(Table 1)
Net Assets

	2004	2003
Assets		
Current Assets	\$241,876	\$259,591
Capital Assets, Net	90,294	167,518
Total Assets	332,170	427,109
Liabilities		
Current Liabilities	270,061	286,894
Non-Current Liabilities	6,446	11,810
Total Liabilities	276,507	298,704
Net Assets		
Invested in Capital Assets		
Unrestricted	55,663	128,405
Total Net Assets	\$332,170	\$427,109

Total assets decreased by \$94,939. This was primarily due to decrease in receivables, decrease in net fixed assets, and an increase in cash. Intergovernmental Receivables are substantially the same. Some of the receipts from fiscal year 2003 grants were not received until fiscal year 2004. In fiscal year 2004, some receipts from these grants were received in fiscal year 2005. Capital Assets, net of depreciation decreased by \$77,224. This was due to the yearly building depreciation expense and several capital assets that have become fully depreciated during the year.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Unaudited)
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2003 and fiscal year 2004, as well as a listing of revenue and expenses.

(Table 2)
Change in Net Assets

	2004	2003
Operating Revenues:		
Foundation Payments	\$1,606,967	\$1,578,975
Disadvantaged Pupil Impact Aid	301,190	295,285
Charges for Services and Sales	10,167	8,310
Other	42,830	12,477
Non-Operating Revenues:		
Federal and State Grants	635,450	326,937
Interest Income	2,099	1,392
Total Revenues	2,598,703	2,223,376
Operating Expenses		
Salaries	1,215,531	1,186,925
Fringe Benefits	616,158	351,494
Purchased Services	484,265	215,161
Materials and Supplies	214,123	328,662
Depreciation	78,629	78,519
Other Expenses	53,843	5,299
Non-Operating Expenses:		
Interest Expense	8,907	13,884
Total Operating Expenses	2,671,456	2,179,944
Increase (Decrease) in Net Assets	\$ (72,753)	43,432

There was an increase in revenues of \$375,327 and an increase in expenses of \$491,512 from 2003. The increase in revenues was due to the increases in the foundation payments, which on a per pupil basis increased approximately 2 percent, federal grants, food program and services. The large increase in federal grants was attributed to the timing of filing for the grants, which was late in fiscal year of 2003. This caused the revenue to be received in early fiscal year 2004. Due to the late filing, the total number of grants and amounts to be approved was not fully measurable and available for 2003. The increased in expenses were on salaries, fringe benefits and in other expenses. Community Schools receive no support from tax revenues.

The expense for salaries increased by \$28,606 and the expense for fringe benefits increased by \$264,664 from 2003. This was primarily due to a net increase of eleven new staff members and the associated health and retirement benefits with those positions. Material and supplies expense decreased by \$114,539 from 2003. The decrease was mainly due to the continued use of the supplies previously purchased and still in use during 2004.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Unaudited)
(Continued)**

Capital Assets

At the end of fiscal year 2004 the School had \$90,294 invested in buildings and building improvement improvements, furniture, fixtures, and equipment. The School's asset policy is that each item costing \$ 1,000 or more will be considered as capital asset and depreciated over its life.

Table 3 shows fiscal year 2004 and 2003:

(Table 3)
**Capital Assets at June 30, 2004
(Net of Depreciation)**

	<u>2004</u>	<u>2003</u>
Building and Building Improvements	64,875	130,033
Furniture, Fixtures, and Equipment	25,419	37,485
Totals	<u>\$90,294</u>	<u>\$167,518</u>

For more information on capital assets, see Note 5 to the basic financial statements.

Current Financial Issues

The T C P World Academy Community School was formed in 2000. During the 2003-2004 school year, there were approximately 298 students enrolled in the School. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2004 amounted to \$5,058 per student. The average number of years experience for teachers was five (5) years. Student enrollment decreased slightly in 2004, by 6 students. The Academy added a new grade, seventh grade, for the 2004 school year.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's 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 information contact Karen Y. French, Superintendent at T C P World Academy, 6000 Street, Ridge Avenue, Ohio or e-mail at tcpworldacademy.org.

**TCP WORLD ACADEMY
HAMILTON COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$44,780
Intergovernmental Receivables	187,757
Other Accounts Receivable	<u>9,339</u>
Total Current Assets	241,876

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>90,294</u>
Total Non-Current Assets	<u>90,294</u>

Total Assets 332,170

Liabilities

Current Liabilities:

Accounts Payable	\$21,036
Accrued Wages and Benefits	151,207
Intergovernmental Payable	23,361
Capital Lease Payable	<u>74,457</u>
Total Current Liabilities	270,061

Non-Current Liabilities

Due In More Than One Year	<u>6,446</u>
Total Non-Current Liabilities	<u>6,446</u>

Total Liabilities 276,507

Net Assets

Unrestricted 55,663

Total Net Assets \$55,663

See accompanying notes to the basic financial statements

**TCP WORLD ACADEMY
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Operating Revenues

Extracurricular and Lunchroom Sales	
Foundation Payments	1,606,967
Disadvantaged Pupil Impact Aid	301,190
Charges for Services	10,167
Other Revenues	<u>42,830</u>

Total Operating Revenues 1,961,154

Operating Expenses

Salaries	1,215,531
Fringe Benefits	616,158
Purchased Services	484,265
Materials and Supplies	214,123
Depreciation Expense	78,629
Other	<u>53,843</u>

Total Operating Expenses 2,662,549

Operating Loss (701,395)

Non-Operating Revenues and Expenses

Other Federal and State Grants	554,014
Interest	2,099
Federal and State Meal Subsidies	81,436
Interest Expense	<u>(8,907)</u>

Total Non-Operating Revenues and Expenses 628,642

Change in Net Assets (72,753)

Net Assets Beginning of Year 128,416

Net Assets End of Year \$55,663

See accompanying notes to the basic financial statements

TCP WORLD ACADEMY
HAMILTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 1,908,157
Cash Received for Food Service	10,167
Cash Payments to Employees for Services and their benefits	(1,805,829)
Cash Payments to Suppliers for Goods and Services	(698,388)
Other Operating Revenue	33,491
Other Operating Expense	<u>(32,807)</u>

Net Cash Used by Operating Activities (585,209)

Cash Flows from Noncapital Financing Activities

State and Federal Grants Received 651,096

Net Cash Provided by Noncapital Financing Activities 651,096

Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Assets	(1,405)
Loan Repayment from Director	14,431
Capital Lease Payments including Interest	<u>(78,000)</u>

Net Cash Used for Capital and Related Financing Activities (64,974)

Cash Flows from Investing Activities

Cash Received from Interest Revenue 2,099

Net Cash Provided from Investing Activities 2,099

Net Decrease in Cash and Cash Equivalents 3,012

Cash and Cash Equivalents at Beginning of Year 41,768

Cash and Cash Equivalents at End of Year \$ 44,780

**Reconciliation of Operating (Loss) to Net Cash
(Used) for Operating Activities**

Operating Loss \$ (701,395)

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

Depreciation	78,629
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(9,339)
Increase in Accounts Payable	21,036
Increase in Intergovernmental Payable	3,460
Increase in Accrued Wages and Benefits	<u>22,400</u>

Total Adjustments 116,186

Net Cash Used by Operating Activities \$ (585,209)

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

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**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. Description of the School and Reporting Entity

Quality Team Corporation operating as Technological College Preparatory Academy, Hamilton County, Ohio (the School), is a non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through Seventh Grade. 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. Quality Team Corporation qualifies as an exempt organization under Section 501c (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.

The School was approved for operation under contract with the Ohio Department 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 of Directors. The Board of Directors 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 of Directors controls the School's one instructional/support facility staffed by 25 non-certified and 20 certificated full time teaching personnel who provide services to 298 students.

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's basic financial statements consist of a statement of net assets, a statement of revenue, 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 all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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 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 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.

Expenses are recognized at the time they are incurred.

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 Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School; therefore no budgetary information is presented in the financial statements.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of one thousand dollars. 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.

All reported capital assets except land 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:

Buildings and Building Improvements	1 - 50 years
Furniture, Fixtures and Equipment	3 - 10 years

F. Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt consists of capital assets, net of accumulated depreciation. The School has no debt.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the state, federal grants, food nutrition and sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

H. 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 those estimates.

I. Change in Accounting Principles

For fiscal year 2004, TCP World Academy has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's discussion and Analysis - for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures."

GASB 34 creates a new basic financial statements for reporting on TCP World Academy 's financial activities and requires the inclusion of the Management Discussion and Analysis section which provides a narrative introduction and overview of the financial statements to enhance the users' ability to interpret the information within the statements.

3. Deposits

At fiscal year end, the carrying amount of the School's deposits was \$ 44,780, and the bank balance was \$ 95,330. Of the bank balance, up to \$ 100,000 was covered by federal depository insurance

Investments: The School had no investments at June 30, 2004, or during the fiscal year.

4. Receivables

Receivables at June 30, 2004, consisted of accounts and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004:

Business – Type Activity

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Business-Type Activity				
Capital Assets Being Depreciated				
Buildings and Improvements	324,375	0	0	324,375
Furniture, Fixtures, and Equipment	68,663	1,405	0	70,068
Total Capital Assets				
Being Depreciated	<u>393,038</u>	<u>1,405</u>	<u>0</u>	<u>394,443</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(194,625)	(64,875)	0	(259,500)
Furniture, Fixtures, and Equipment	(30,895)	(13,754)	0	(44,649)
Total Accumulated Depreciation	<u>(225,520)</u>	<u>(78,629)</u>	<u>0</u>	<u>(304,149)</u>
Total Capital Assets				
Being Depreciated, Net	<u>167,518</u>	<u>(77,224)</u>	<u>0</u>	<u>90,294</u>
Business-Type Activity				
Capital Assets, Net	<u>\$167,518</u>	<u>(\$77,224)</u>	<u>\$0</u>	<u>\$90,294</u>

6. Risk Management

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School contracted with The Hartford Insurance Company for general liability and property insurance and The Hartford Insurance Company for educational errors and omissions insurance.

Coverage is as follows:

Fire Damage (Any one fire)	\$300,000
Medical Expenses (Any one person)	10,000
Personal & Adv Injury	1,000,000
General Aggregate	2,000,000
Products - Comp/Op Agg	2,000,000
Boiler and Machinery	No Limit
Business Personal Property (\$1,000 deductible)	356,700
Computers and Media Coverage (\$250 deductible)	100,000
Money and Securities - Inside Premises	10,000
Money and Securities - Outside Premises	5,000

There were no claims against this commercial coverage in any of the past four (4) years. There has been no significant change in insurance coverage from last year.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. Risk Management (Continued)

B. Workers' Compensation

The School pays the State Workers' 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 (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 43215-3746 or by calling (614) 222-5853.

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 2004, 9.09 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$72,067, \$39,800 and \$18,119, respectively; 85 percent has been contributed for fiscal year 2004 and 100 percent for fiscal year 2003 and 2002. \$10,965 represents the unpaid contribution for fiscal year 2004. The balance outstanding is reflected as an intergovernmental payable.

B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

7. Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For 2003, the portion used to fund pension obligations was 9.5 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004, 2003 and 2002 were \$79,585, \$85,597 and \$61,594, respectively; 84 percent has been contributed for fiscal year 2004 and 100 percent for fiscal year 2003 and 2002.

8. Postemployment Benefits

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

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

8. Postemployment Benefits (Continued)

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, 2004, the STRS Ohio Board allocated employer's contributions equal to 1.0 per cent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$7,863 for fiscal year 2004.

STRS Ohio pays health care benefits for the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible 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 contributions is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 the partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School, the amount contributed to fund health care benefits, including surcharge, during the fiscal year equaled \$34,154.

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, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

9. Employee Benefits

A. Insurance Benefits

The School provides life, dental and medical/surgical benefits to most employees through Humana.

10. Long-Term Obligations

The changes in the School's long-term obligations during the fiscal year 2004 were as follows:

Long-Term Obligations	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Amounts Due in One Year
Lease Payable	\$149,996	\$0	\$69,093	\$80,903	\$74,457

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

11. 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 decision 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 on its financial operations.

12. 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 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, 2004.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For the School, there was an insignificant variance between the amount received to date and the final payment. This variance will have no effect on the financial standing of the School.

C. Pending Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., 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, 2003. The effect of this suit, if any, on the School is not presently determinable.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

13. Lease of Building

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 \$ 324,375. The Superintendent leases the building to the School for \$ 6,500 a month with an imputed interest of 7.5% for five (5) years. The lease qualified 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 2004, \$ 69,093 was paid in principal and \$ 8,907 was paid in interest.

The future minimum lease payments are as follows:

Year Ended June 30	
2005	\$ 74,457
2006	6,446
Total Minimum Payment	80,903
Less Imputed Interest	<u>(6,068)</u>
Present Value of net minimum lease	<u>\$ 74,835</u>

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

14. Related Party Transactions

The Superintendent's brother is employed as the School's Nurse/Disciplinarian and also holds a seat on the School Board.

As described in Note 13, the School leases the building from the Superintendent for \$6,500 per month.

15. Tax Exempt Status

The School has obtained its 501c(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.

16. Subsequent Events

Substitute House Bill 364, which became effective on April 8, 2003, redefined the role of the State Board of Education, from one sponsor to one of authorizer. As of June of 2005, the Ohio Department of Education will no longer be a sponsor of community schools with the exception of exigent circumstances (e.g. if a sponsor's authority to sponsor community schools is revoked) but will assume the role as the granting authority for prospective community school sponsors. ODE will continue to provide oversight and technical assistance to sponsors and schools. TCP has a contract between TCP and Educational Resources Center (ERC. TCP presented a signed contract to ODE on August 18, 2005.

TCP is several weeks behind in payments to the State Teachers Retirement System (STRS). As of August 5, 2005, TCP is \$10,171.59 in arrears.

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**TCP WORLD ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	05-PU	10.553	\$21,840
National School Lunch Program	LL-P1 & LL-P4	10.555	<u>59,596</u>
Total Child Nutrition Cluster			<u>81,436</u>
Total U.S. Department of Agriculture			<u>81,436</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education Grants to States (Title VI-B)	6BSF & 6BSX	84.027	52,986
Special Education - Preschool Grant	PG-S1	84.298	<u>4,107</u>
Total Special Education Cluster			<u>57,093</u>
Grants to Local Educational Agencies (Title I)	C1-S1	84.010	401,953
Improving Teacher Quality	TR-S1	84.367	80,713
Technology Title II-D		84.318	10,453
Safe and Drug Free Schools	DR-S1	84.186	<u>6,514</u>
Total U.S. Department of Education			<u>556,726</u>
Totals			<u><u>\$638,162</u></u>

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

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

Technological College Preparatory World Academy
Hamilton County
6000 Ridge Road
Cincinnati, Ohio 45213

To the Board of Education:

We have audited the financial statements of the business-type activities of Technological College Preparatory World Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2004, and have issued our report thereon dated August 18, 2005, wherein we noted the School adopted Government Accounting Standards Board Statements 34. We conducted our audit in accordance with the 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 management's assertions in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the School's management dated August 18, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-002. In a separate letter to the School's management dated August 18, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 18, 2005



Auditor of State Betty Montgomery

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

Technological College Preparatory World Academy
Hamilton County
6000 Ridge Road
Cincinnati, Ohio 45213

To the Board of Education:

Compliance

We have audited the compliance of Technological College Preparatory World Academy, Hamilton County, Ohio (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 apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal program. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Government'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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures 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, Technological College Preparatory World Academy complied, in all material respects, with the requirements referred to above that are apply to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The School's management 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 directly and materially affect a major federal program 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.

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for 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

August 18, 2005

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2004-001

Reportable Condition – Payroll Cycle

An effective internal control system for payroll provides an environment that will protect the assets of the entity from errors, misstatements or overpayments. Documentation of Board approval of pay rates and employee contracts is essential for school management to effectively monitor payments to employees. Also, a management review of amounts paid to employees by the payroll processor is essential to verify that employees were paid the authorized amounts.

The following control weaknesses and errors were noted in the payroll disbursement process:

- The minutes stated the Board approved 2003-2004 staff raises, but there was no documentation of the actual salary amounts approved. The School paid employees in accordance with the individual contracts in the employees' personnel files.
- Personnel files for 7 employees contained no documentation verifying an authorized payroll rate and there was no documentation in the minutes verifying Board approval of their rates.
- Three employees were paid amounts that did not agree with the Board approved rate and there was no documentation in their personnel files or in the minutes approving their actual pay rate.
- Reports received from the School's third party payroll processor ADP, Inc. were not reviewed and approved by the Treasurer and/or Superintendent.

These control weaknesses could result in errors or misstatements in the financial records and the possible unauthorized overpayment to employees. The control environment for payroll processing may include, but should not be limited to these procedures:

- Pay rates and bonuses should be approved by the Board and documented in the minutes.
- New hires should be approved by the Board and documented in the minutes.
- ADP, Inc. reports, including the Payroll Audit report and Master Control form, should be reviewed, compared to internal payroll records and approved by the Treasurer and/or Superintendent.

FINDING NUMBER 2004-002

Material Noncompliance

Division (A)(1) of R.C. 2921.42 prohibits a public official from authorizing, or using the authority or influence of his office, to secure a public contract in which he, a family member, or a business associate has an interest. A person who is employed by, or sells goods or services to, a community school, has an interest in a public contract for the use of the public agency that sponsors the community school. The exception in R.C. 3314.03(A)(11)(e) does not suggest that the General Assembly intended to allow, members of the governing boards of community schools to award employment or other contracts to themselves, their family members, or their business associates. Therefore, R.C. 2921.42(A)(1) prohibits a member of a community school's governing board from authorizing a contract for himself, and from participating as a board member in matters that affect a contract in which he has an interest. See also R.C. 102.03(D). Further, notwithstanding the stated statutory exception, R.C. 2921.42(A)(1) and R.C. 102.03(D) also prohibit a member of a community school's governing board from authorizing, or using the authority or influence of his position on the governing board to secure, either the authorization of a public contract or anything of value for a family member or business associate.

Mr. Deryle French, brother of Karen French, participated in voting to approve the contract to lease the building owned by Ms. French to the school. Mr. French should abstain from any vote that provides a value to a family member.

We are referring this matter to the Ohio Ethics Commission for their review.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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**TECHNOLOGICAL 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
NOVEMBER 29, 2005**