THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

Financial Statements

June 30, 2006

with

Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of The ISUS Institute of Construction Technology, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 25, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

Table of Contents

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statement of The ISUS Institute of Construction Technology (the School), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ISUS Institute of Construction Technology, as of June 30, 2006, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 15, 2006

The discussion and analysis of The ISUS Institute of Construction Technology's (the School) financial performance provides an overall review of the financial activities for the period ended June 30, 2006. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

Key financial highlights for the period ended June 2006 are as follows:

- Total net assets increased by $479,983 for the year ended June 2006, which represents a 128 percent increase from the year ended June 2005.

- Total assets increased $309,088, which represents a 29 percent increase from the prior year. The increase resulted primarily from $167,486 increase in accounts and intergovernmental receivable, and $179,730 increase in cash and cash equivalents.

- Total liabilities decreased $170,895, which represents a 25 percent decrease from the prior year. The decrease resulted primarily from $29,060 decrease in accounts and intergovernmental payable, $94,599 decrease in accrued wages and benefits payable, and $30,000 reduction in loan payable.

Using this Financial Report

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

Statement of Net Assets

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

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

Table 1 provides a summary of the School's net assets for fiscal year 2006 compared with fiscal year 2005.

Table 1
Net Assets

	2006	2005
Assets:		
Current and other assets	$ 1,213,725	$ 870,405
Capital assets, net	149,740	183,972
Total Assets	1,363,465	1,054,377
Liabilities:		
Current liabilities	507,606	678,501
Total Liabilities	507,606	678,501
Net Assets:		
Invested in capital assets	149,740	183,972
Unrestricted	706,119	191,904
Total Net Assets	$ 855,859	$ 375,876

Total net assets of the School increased by $479,983 or 128 percent.

As noted in Table 1 above, reported unrestricted net assets at June 30, 2006 increased by $514,215 from those reported at June 30, 2005. The increase is due to the increase in grants and on behalf payments.

The decrease of $34,232 in net assets invested in capital assets resulted primarily from depreciation.

Total assets increased from fiscal year 2005 by $309,088, primarily due to the $167,486 increase in accounts and intergovernmental receivable, $179,730 increase in cash and cash equivalents, and $34,232 decrease in capital assets. Receivables increased due to an increase in inter-company receivables and an increase in intergovernmental receivables from ODE for underpayment of FY 2006 foundation payments. Cash and cash equivalents increased due to the collection of a large receivable in June 2006. Capital assets decreased due to normal depreciation.

Total liabilities decreased from fiscal year 2005 by $170,895, primarily due to the $29,060 decrease in accounts and intergovernmental payable, $94,599 decrease in accrued wages and benefits payable, $5,971 decrease in other liabilities, and $30,000 decrease in loans payable. The decrease in accounts payable is due to the timely payment of vendor obligations. The decrease in accrued wages and benefits payable is due to the decrease in the year end payroll accrual due to the transitioning of staff to the related ISUS Institutes. The decrease in other liabilities is due to the accrual of an overpayment of foundation money that was paid back to ODE in fiscal year 2006. The decrease in loans payable is due to principal payments on outstanding debt obligations.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, as well as revenue and expense comparisons to fiscal year 2005.

Table 2
Changes in Net Assets

	2006	2005
Operating Revenues:		
Foundation payments	$ 1,273,562	$ 1,531,215
Charges For Services	884,176	454,605
Miscellaneous revenues	4,433	578
Non Operating Revenues:		
State and Federal grants	1,122,221	1,918,862
Private Grants	5,000	68,166
Contributions	10,000	9,100
ISUS Revenue (on behalf)	1,094,200	199,992
Total Revenues	4,393,592	4,182,518
Operating Expenses:		
Salaries	2,145,604	2,668,238
Fringe benefits	611,876	860,920
Purchased Services	901,445	940,765
Materials and supplies	93,257	85,118
Depreciation	49,559	42,545
Other expenses	104,228	142,371
Non Operating Expenses		
Interest	7,640	7,738
Total Expenses	3,913,609	4,747,695
Increase (decrease) in net assets	479,983	(565,177)
Net assets, beginning of year	375,876	941,053
Net assets, end of year	$ 855,859	$ 375,876

The decrease in Foundation Payments is due to a slight decrease in student enrollment. The increase in charges for services was due to increased billings for shared employees. State and federal grants decreased due to grants that had been awarded to the School in prior years were awarded to ISUS Corporation and passed through to the School. Non operating private grants decreased due to the fact that a grant to purchase computers was received in fiscal year 2005, and a similar grant was not received in fiscal year 2006

Total expenses of the School reported for the fiscal year were $834,086 less than what was reported in the prior fiscal year. Payroll and Fringe benefits decreased $771,678 due to the transitioning of staff to the ISUS Corporation and the other ISUS Institutes. Purchased Services decreased $39,320 due to a decrease in payables for shared employee expenses. Other expenses decreased $38,143 due to the write off of an uncollectible receivable in fiscal year 2005.

The overall decrease in expenditures is reflective of management's efforts to control costs. Management continues efforts to maintain costs at a reasonable level to ensure the financial stability of the School.

Capital Assets

At June 30, 2006 capital assets of the School were $281,117, off-set by $131,377 in accumulated depreciation resulted in net capital assets of $149,740. Table 3 shows the categories of capital assets maintained by the School, net of accumulated depreciation, at June 30, 2006 and 2005.

Table 3
Capital Assets, Net of Depreciation

		2006	2005
Leasehold improvements	$	21,121	21,690
Furniture and equipment		107,986	134,149
Computer Software		20,633	28,133
Totals		149,740	183,972

The decrease in net capital assets is due to normal depreciation.

See Note 13 of the notes to the basic financial statements for more detailed information on the School's capital assets.

Debt

At June 30, 2006, the debt obligations of the School consisted of a $100,000 loan payable issued during fiscal year 2004 for cash flow purposes.

See Note 11 of the notes to the basic financial statements for more detailed information on the School's debt.

Contacting the School

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

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

Statement of Net Assets

June 30, 2006

Assets

Current assets:		
Cash and cash equivalents	$	298,324
Accounts receivable		646,176
Intergovernmental receivable		123,381
Prepaid items		145,844
Total current assets		1,213,725
Non-current assets, net of accumulated depreciaiton:		
Equipment		128,619
Leasehold improvements		21,121
Total non-current assets		149,740
Total assets	$	1,363,465

Liabilities and Net Assets

Liabilities		
Accounts payable	$	217,972
Intergovernmental payable		25,759
Accrued wages and benefits payable		96,530
Compensated absences payable		52,668
Accrued liabilities, other		14,677
Loan payable		100,000
Total liabilities		507,606
Net assets:		
Investment in capital assets		149,740
Unrestricted		706,119
Total net assets		855,859
Total liabilities and net assets	$	1,363,465

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2006

Operating revenues:	
Foundation payments	$ 1,273,562
Charges for services	884,176
Miscellaneous	4,433
Total operating revenues	2,162,171
Operating expenses:	
Salaries	2,145,604
Fringe benefits	611,876
Purchased services	901,445
Materials and supplies	93,257
Depreciation	49,559
Other operating expenses	104,228
Total operating expenses	3,905,969
Operating loss	(1,743,798)
Non-operating revenues (expenses)	
Federal grants	143,146
State grants	4,075
Private grants	5,000
Other grants	975,000
Contributions	10,000
Interest expense	(7,640)
ISUS (on behalf) revenue	1,094,200
Total non-operating revenues (expenses)	2,223,781
Change in net assets	479,983
Net assets, beginning of the year	375,876
Net assets, end of year	$ 855,859

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

Statement of Cash Flows

Year Ended June 30, 2006

Cash flows from operating activities:		
Cash received from foundation payments	$	1,273,562
Cash received from charges for services		716,690
Cash provided by miscellaneous sources		4,433
Cash used for employees for services		(2,863,344)
Cash used for suppliers for goods and services		(1,130,065)
Net cash used for operating activities		(1,998,724)
Cash flow from noncapital financing activities		
Cash received from ISUS, Inc.		1,094,200
Cash received from federal, state, private, and local grants		1,127,221
Cash received from contributions		10,000
Net cash provided by noncapital financing activities		2,231,421
Cash flow from capital and related financing activities		
Cash received from loan proceeds		15,000
Cash used for debt repayment		(45,000)
Cash used for capital acquistions		(15,327)
Cash used for interest payments		(7,640)
Net cash used by capital and related financing activities		(52,967)
Net increase in cash and cash equivialents		179,730
Cash and cash equivalents at the beginning of the year		118,594
Cash and cash equivalents at the end of the year	$	298,324

(continued)

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

Statement of Cash Flows (Continued)

Year Ended June 30, 2006

Reconciliation of operating loss to net cash used for operating activities		
Operating loss	$	(1,743,798)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation		49,559
Change in assets and liabilities		
Decrease in prepaids		3,896
Increase in accounts receivable		(158,308)
Increase in intergovernmental receivable		(9,178)
Decrease in accounts payable		(36,356)
Increase in intergovernmental payable		7,296
Decrease in accrued wages and benefits payable		(94,599)
Decrease in accrued compensated absences payable		(11,265)
Decrease in other liabilities		(5,971)
Net cash used for operating activities	$	(1,998,724)

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies:

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

Description of organization

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

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

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

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

The school operates under a five member Board of Trustees. The Board is ultimately responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional facility that was staffed by 23 certificated counseling and teaching personnel, 5 non-certificated instructional staff persons, and 20 non-certificated administrative staff. Approximately two hundred sixty five (265) students were served during the 2005-2006 school year.

The School is associated with five organizations which are defined as related organizations. These organizations are the Improved Solutions for Urban Systems, Inc. (ISUS), ISUS Trade and Technology Community School of Columbus, ISUS Trade and Technology Community School of Springfield, The ISUS Institute of Health Care, and The ISUS Institute of Manufacturing. These organizations are presented in Note 15 to the financial statements.

Financial statement presentation

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies

Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

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

Measurement focus and basis of accounting

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

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

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

Budgetary process

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

Cash

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

Estimates

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

Capital assets and depreciation

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

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

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

Intergovernmental revenues

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

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

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

Compensated Absences

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

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

Accrued liabilities, other

Obligations incurred but unbilled prior to June 30, 2006, are reported as accrued liabilities in the accompanying financial statements.

Exchange and non-exchange transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

2. Cash and Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2006, $232,333 of the School's bank balance of $332,333 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School's name.

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

3. Receivables:

Accounts receivable

Accounts Receivable at June 30, 2006 include of amounts due the School from ISUS Inc., for state, federal, and other sources received by ISUS that are passed through to the School. These receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

Accounts Receivable at June 30, 2006 consisted of the following:

ISUS, Inc.	$	276,322
Sinclair Community College		217,646
Institute of Health Care		98,664
Institute of Manufacturing		53,544
Total accounts receivable	$	646,176

Intergovernmental receivable

Intergovernmental receivable at June 30, 2006 consisted of the following:

Ohio Department of Education	$	123,381
Total intergovernmental receivable	$	123,381

4. Risk Management:

Property and liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the period ended June 30, 2006, the School contracted with the Cincinnati Insurance Company for property and general liability insurance.

The School leased a facility on which they were named insured's with ISUS Inc., with coverage provided by The Cincinnati Insurance Company. Coverage included personal property $527,000; employee dishonesty $300,000; and general liability $1,000,000 with an aggregate limit of $2,000,000.

Worker's compensation

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

Employee, medical, dental, and vision benefits

The School, through a contract held by ISUS, Inc., provides employee dental, life, vision, and medical and surgical benefits. The School pays 85% of the monthly premium and the employee is responsible for the remaining 15%, except for dental insurance which is split 50/50 by the School and employee. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents. The health insurance plan was a simplified funded plan, with specific stop-loss protection.

5. Defined Pension Benefits Plans:

School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statue Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's contributions to SERS for the fiscal year ended June 30, 2006, 2005 and 2004 were $137,231, $137,664 and $108,153, respectively; equal to the required contributions for each year.

State Teachers Retirement System

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

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, 2006, plan members were required to contribute the statutory maximum of 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations for the fiscal year ended June 30, 2006, 2005 and 2004 were $93,206, $134,426 and $110,264, respectively; 100 percent has been contributed for fiscal years 2006, 2005, and 2004

6. Post-Employment Benefits:

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board (the Board) has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $7,170 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was $3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were $282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household's income falls below the poverty level.

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, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rates, provides for maintenance of the asset target level for the health care fund. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled $47,559.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were $158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claims costs. SERS has 59,492 participants currently eligible to receive health care benefits.

7. Other Employee Benefits-Compensated Absences:

The criteria for determining vacation and sick leave components are derived from School policy and State laws. Employees earn 27 days of vacation after 90 days 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 hours is reimbursed on a quarterly basis.

8. Contingencies:

Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2006.

Pending litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is pending. The effect of this suit, if any, on the Academy is not presently determinable.

State Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report.

9. Related Party Transactions:

Related party

The Superintendent also serves as the Legal Counsel for the School. The School was not involved in significant legal actions during fiscal year 2006.

Accounts payable

Included in the accounts payable balance is $4,548 due to The ISUS Institute of Manufacturing for reimbursement of administrative employee's payroll and pass through of grant funds. Also, included in the accounts payable balance is $144,401 due to ISUS Inc. for reimbursement of administrative employees payroll, office supplies, and lease payments.

Improved Solutions for Urban Systems, Inc. (ISUS)

Improved Solutions for Urban Systems, Inc. (ISUS) is a not-for-profit corporation in the State of Ohio, operated under the direction of a different Board of Trustees. The School paid $1,920,403 for administrative services to this organization during fiscal year 2006. At June 30, 2006 the School is owed $276,322 from the organization. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Accountant, at 140 North Keowee Street, Dayton, OH 45402.

The ISUS Institute of Manufacturing

The ISUS Institute of Manufacturing is a not-for-profit corporation in the State of Ohio, operated under the direction of the same Board of Trustees as this School. The School paid $110,689 for administrative services to this organization during fiscal year 2006. At June 30, 2006, the School is owed $53,544 from the organization. To obtain financial information, write to The ISUS Institute of Construction Technology, David Bridge, Accountant, at 140 North Keowee Street, Dayton, OH 45402.

The ISUS Institute of Health Care

The ISUS Institute of Health Care is a not-for-profit corporation in the State of Ohio, operated under the direction of the same Board of Trustees as this School. The School paid $0 for administrative services to this organization during fiscal year 2006. At June 30, 2006, the School is owed $98,664 from the organization. To obtain financial information, write to The ISUS Institute of Construction Technology, David Bridge, Accountant, at 140 North Keowee Street, Dayton, OH 45402

10. Operating Lease

During fiscal year 2006, the School leased a building and office facility under an operating lease agreement ending June 30, 2006 from ISUS Inc. Total lease payments were $241,022 for the year ended June 30, 2006, which includes utilities, telephone service, and janitorial service. The basis for determining the payment was the square footage occupied by the School. The lease arrangement states it will automatically renew for four successive one year periods, absent an action by either of the parties to terminate the lease.

11. Loans Payable:

On March 5, 2003, Youthbuild USA loaned the School $150,000, for twelve months from the date of closing, with payment due within twelve months from the date of loan. The loan is renewed annually and interest was paid monthly at 6%.

A summary of the loans payable activity for fiscal year 2006 follows:

Beginning Balance	Additions	Reductions	Ending Balance
$130,000	$15,000	$45,000	$100,000

12. Purchased Services:

For the fiscal year 2006, purchased services expenses were payments for services rendered by various vendeors for the following:

Professional/Technical Services	$	65,565
Contracted Craft/Trade Services		312,687
Administrative		523,193
Total purchased services	$	901,445

13. Capital Assets:

A summary of the capital assets at June 30, 2006 follows:

		Balance 6/30/2005	Additions	Reductions	Balance 6/30/2006
Capital Assets, being depreciated:					
Furniture and equipment	$	248,819	17,670	(8,140)	258,349
Leasehold improvements		22,768	-	-	22,768
Less: Accumulated Depreciation		(87,615)	(49,559)	5,797	(131,377)
Capital Assets, net	$	183,972	(31,889)	(2,343)	149,740

14. Related Organizations:

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

The ISUS Institute of Manufacturing is a community school in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The School provides administrative services to the abovementioned community school with an amount due, as of June 30, 2006, to the School as defined in Note 4. The School paid $110,689 for administrative services to this organization during fiscal year 2006. To obtain financial information, write to The ISUS Institute of Construction Technology, Montgomery County, David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

The ISUS Institute of Health Care is a community school in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The School provides administrative services to the abovementioned community school with an amount due, as of June 30, 2006, to the School as defined in Note 4. The School paid $0 for administrative services to this organization during fiscal year 2006. To obtain financial information, write to The ISUS Institute of Construction Technology, Montgomery County, David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

Improved Solutions for Urban Systems, Inc. (ISUS) is a not-for-profit corporation in the State of Ohio, operated under the direction of a different Board of Trustees. The School paid $1,920,403 for administrative services to this organization during fiscal year 2006. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

15. Intergovernmental Payable:

Intergovernmental payables at June 30, 2006 consisted of the following:

City of Dayton	$	5,289
Montgomery County Juvenile Center		532
School Employees Retirement System		13,204
Treasurer of State of Ohio		6,734
Total intergovermental payable	$	25,759

16. Accounts Payable:

Accounts payable at June 30, 2006 consisted of the following:

Institute of Manufacturing	$	4,548
Other		69,023
ISUS, Inc.		144,401
Total accounts payable	$	217,972

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY
Schedule of Federal Awards Receipts and Expenditures
Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number		Receipts	Grant Expenditures
United States Department of Agriculture					
Passed through Ohio Department of Education					
Nutrition Cluster:					
School Breakfast Program	10.553	06PU-2006	$	3,282	3,282
National School Lunch Program	10.555	LLP5-2006		8,620	8,620
Total United States Department of Agriculture - Nutrition Cluster				11,902	11,902
United States Department of Education					
Passed through Ohio Department of Education:					
Title I Grants to Local Education Agencies	84.010	C1S1-06		69,470	69,470
		C1S1-05		12,382	12,382
Total Title I Grants to Local Educational Agencies				81,852	81,852
Special Education Grants to States	84.027	6BSF-06		19,939	19,939
State Grants for Innovative Programs	84.298	C2S1-06		544	544
Improving Teacher Quality State Grants	84.367	TRS1-06		8,278	8,278
Education Technology State Grants	84.318	TJS1-06		1,216	1,216
Total United States Departement of Education				29,977	29,977
United States Department of Justice					
Passed Through Ohio Office of Criminal Justice Services					
Byrne Formula Grant Program	16.579	2004-C01-DG-7503		18,368	18,368
Parent Involvement Program	16.540	2004-JJ-DP2-0045		12,025	12,025
Total Byrne Formula Grant Progam				30,393	30,393
United States Department of Housing and Urban Development					
Opportunities for Youth - Youthbuild Program	14.243	Y-05-IM-OH-0064		64,740	64,740
		Y-04-IM-OH-0208		414,790	414,790
Total Opportunities for Youth - Youthbuild Program				479,530	479,530
United States Department of Labor					
Passed Through From ISUS Corp.					
Youth Offender- High Growth Grant	17.261	YF-14830-05-60		394,759	394,759
Total Federal Financial Assistance			$	1,028,413	1,028,413

See accompanying notes to Schedule of Expenditures of Federal Awards.

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2006

1. Significant Accounting Policies:

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

2. Matching Requirements:

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

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of The ISUS Institute of Construction Technology as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The ISUS Institute of Construction Technology's internal control over financial reporting 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 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 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.

Compliance and Other Matters

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 15, 2006

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of The ISUS Institute of Construction Technology with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The ISUS Institute of Construction Technology's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The ISUS Institute of Construction Technology's management. Our responsibility is to express an opinion on The ISUS Institute of Construction Technology's compliance based on our audit.

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

In our opinion, The ISUS Institute of Construction Technology complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of The ISUS Institute of Construction Technology is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The ISUS Institute of Construction Technology'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.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 15, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

The ISUS Institute of Construction Technology
June 30, 2006

1. Summary of Auditors' 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)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(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):	High Growth Youth Offender Grant, CFDA 17.261
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

The ISUS Institute of Construction Technology
June 30, 2006

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

None

3. Findings and Questioned Costs for Federal Awards

None

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

The ISUS Institute of Construction Technology
June 30, 2006

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

No prior findings and questioned costs.

THE ISUS INSTITUTE OF CONSTRUCTION TECHNOLOGY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 5, 2007