



**ISUS TRADE & TECHNOLOGY PREP
COMMUNITY SCHOOL
MONTGOMERY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ISUS TRADE & TECHNOLOGY PREP
COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

ISUS Trade & Technology Prep
Community School
Montgomery County
140 North Keowee Street
Dayton, Ohio 45402

To the Board of Governance:

We have audited the accompanying balance sheet of the ISUS Trade & Technology Prep Community School, Montgomery County, (the School), as of June 30, 2000, and the related Statement of Revenues, Expenses, and Changes in Accumulated Deficit and the Statement of Cash Flows for the year then ended. 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 generally accepted auditing standards 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 Trade & Technology Prep Community School, Montgomery County, as of June 30, 2000, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2001 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

March 20, 2001

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**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2000**

Assets

Cash and Cash Equivalents	\$0
Prepaid Items	10,464
Total Assets	<u><u>\$10,464</u></u>

Liabilities and Accumulated Deficit

Liabilities

Accounts Payable	\$149,420
Accrued Wages and Benefits Payable	44,377
Compensated Absences Payable	14,220
ISUS Loan Payable	52,266
	<u>260,283</u>

Total Liabilities	<u>260,283</u>
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Accumulated Deficit	<u>(249,819)</u>
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Total Liabilities and Accumulated Deficit	<u><u>\$10,464</u></u>
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See Accompanying Notes to the Financial Statements.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
ACCUMULATED DEFICIT
FOR THE YEAR ENDED JUNE 30, 2000**

Operating Revenues	
Foundation Payments	\$515,700
Other	156
	<hr/>
Total Operating Revenues	515,856
	<hr/>
Operating Expenses	
Salaries	782,094
Fringe Benefits	275,741
Purchased Services	385,786
Materials and Supplies	31,895
Capital Outlay	57,102
Depreciation	16,951
	<hr/>
Total Operating Expenses	1,549,569
	<hr/>
Operating Loss	(1,033,713)
	<hr/>
Non-Operating Revenues	
Intergovernmental	150,000
On Behalf Payments	633,894
	<hr/>
Total Non-Operating Revenues	783,894
	<hr/>
Net Loss	(249,819)
	<hr/>
Accumulated Deficit at Beginning of Year	0
	<hr/>
Accumulated Deficit at End of Year	(\$249,819)
	<hr/> <hr/>

See Accompanying Notes to the Financial Statements.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Customers	\$515,700
Cash Payments to Employees for Services	(943,249)
Cash Payments to Suppliers for Goods and Services	(408,767)
Other Operating Revenues	156
	156

Net Cash Used for Operating Activities (836,160)

Cash Flows from Noncapital Financing Activities

On Behalf Payments	733,894
Intergovernmental Revenue	50,000
	50,000

Net Cash Provided by Noncapital Financing Activities 783,894

Cash Flows from Capital and Related Financing Activities

Proceeds of Loan	52,266
	52,266

Net Increase in Cash and Cash Equivalents 0

Cash and Cash Equivalents at Beginning of Year 0

Cash and Cash Equivalents at End of Year \$0

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss (\$1,033,713)

Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities

Changes in Assets and Liabilities

(Increase) in Prepaid Items	(10,464)
Increase in Accounts Payable	149,420
Increase in Accrued Wages and Benefits Payable	44,377
Increase in Compensated Absences Payable	14,220
	14,220

Total Adjustments 197,553

Net Cash Used for Operating Activities (\$836,160)

See Accompanying Notes to the Financial Statements.

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**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Note 1 - Description of the School and Reporting Entity

ISUS Trade and Technology Prep Community School (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 a subsidiary of Improved Solutions for Urban Systems, Inc. (ISUS), also an Ohio nonprofit corporation. The School has applied for exempt status 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 seven member Board of Trustees who also serve as members of the Board of Trustees of the parent corporation. 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 ten certificated counseling and teaching personnel, ten non-certificated instructional staff persons, and five non-certificated administrative staff. Approximately one hundred fifty students were served during the 1999-2000 school year.

Note 2 - Summary of Significant Accounting Policies

The financial statements of ISUS Trade and Technology Prep Community 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

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.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the School's contract with its sponsor. The contract between ISUS Trade and Technology Community Prep and its sponsor, Ohio Department of Education, does not prescribe a budgetary process for the School.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash for control purposes.

E. Estimates

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

F. Fixed Assets and Depreciation

The School did not hold title to any fixed assets at June 30, 2000. The parent company for the School owns title to all fixed assets utilized by the School.

G. Intergovernmental Revenue

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which they are earned and become measurable.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$50,000 to offset start-up costs of the School. Revenue received from this program is recognized as non-operating revenue on the accompanying financial statements.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

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

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2000, are reported as accrued liabilities in the accompanying financial statements.

Note 3 - Deposits

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

Deposits: At June 30, 2000, the School had a cash balance of \$0 which is presented as cash and cash equivalents in the accompanying financial statements. The bank balance of the School's deposits was \$0.

Note 4 – Receivables

The school did not have any receivables at June 30, 2000. All receivables would be considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Note 5 - Risk Management

B. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2000, the School contracted with The Cincinnati Insurance Company for property and general liability insurance.

The School had no owned property during the fiscal year. They leased a facility on which they were named insureds with the parent corporation, with coverage provided by The Cincinnati Insurance Company. Coverage included personal property \$100,000; employee dishonesty \$300,000; and general liability \$1,000,000 with an unlimited aggregate.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

B. Workers' Compensation

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

C. Employee, Medical, Dental, and Vision Benefits

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

Note 6 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 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 a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2000 was \$42,301.

The parent company makes the required contributions on behalf of the School.

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2000 was \$40,638.

The parent company makes the required contributions on behalf of the School.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, the School had no employees or members of the governing board who contribute to Social Security.

Note 7 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$3,251 for fiscal year 2000. The parent company makes the required contributions on behalf of the School.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. 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 2000, the minimum pay was established at \$12,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$20,635. The parent company makes the required contributions on behalf of the School.

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, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 41,000 participants currently receiving health care benefits.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Note 8 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are derived from School policy and State laws. Classified employees earn seven days of vacation per year. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of three hours per pay period.

Note 9 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School. During the fiscal year ended June 30, 2000, the School received \$515,700 of school foundation support for its operations.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

Note 10 - Contingencies

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2000.

B. Litigation

As of June 30, 2000, the School was not a party to any legal proceedings.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Note 11 - Related Party Transactions

A. Related Party

One member of the Board of Trustees of ISUS Trade and Technology Prep Community School is the sole principal of a for profit corporation with whom the parent corporation (Improved Solutions for Urban Systems, Inc.) contracts for services. The services provided extend to the School. During fiscal year 2000, the School paid \$61,195 to this Board member for a variety of services which included: management of the educational program, assistance with research and pursuit of other revenue sources, management of public relations, and assistance with coordination with other local educational entities.

B. On Behalf Payments

The School received \$633,894 in on behalf payments from its parent corporation (ISUS) for the purpose of covering certain salaries and fringe benefits that were associated with state and federal grants. These state and federal grants were applied for and received under the name of the parent corporation, ISUS, who had overall responsibility for complying with grant requirements. ISUS provided portions of the total grant awards to the School as a benefit.

The revenue and expenses associated with this transaction type have been recorded on the basis of accounting used for reporting purposes, as described in Note 2.

The following lists the sources of the \$633,894 state and federal grants benefits received by the School:

State Grants

Ohio Department of Development	\$13,141
Education Management Information System Subsidy	<u>5,000</u>
Total State Grant Benefits	<u>\$18,141</u>

Federal Grants

Americorp	\$37,400
Capacity Building Grant	179,486
Opportunities for Youth	347,454
Byrne Formula Grant	<u>51,413</u>
Total Federal Grant Benefits	<u>\$615,753</u>
Total On Behalf Benefits	<u>\$633,894</u>

Note 12 - Operating Lease

During FY 2000, the School leased a building and office facility under an operating lease. The terms of this lease end June 30, 2000. Total lease payments were \$46,667 for the year ended June 30, 2000. The lease agreement contains an option for renewal, although not necessarily with identical provisions, for succeeding years. The lease was renewed for the year ended June 30, 2001. Under the renewed lease, the basis for determining payment was changed to the square footage occupied by the School. Additionally, the School would be responsible for a portion of rent, utilities, telephone and maintenance costs. As a result, the lease payment was increased from about \$3,890 to \$8,331 per month.

**ISUS TRADE & TECHNOLOGY PREP COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Note 13 - Purchased Services

For the fiscal period July 1, 1999 through June 30, 2000, purchased service expenses were payments for services rendered by various vendors as follows:

Instructional Improvement Services	\$165,232
Contracted Services (See Note 11A)	61,195
Bookkeeping/Legal Services	40,389
Property Services	47,791
Meeting Expenses	4,561
Communications/Data Processing	26,051
Utilities	36,414
Contracted Craft/Trade Services	2,090
Pupil Transportation Services	<u>2,063</u>
Total	<u>\$385,786</u>

Note 14 - Management's Plans Regarding Accumulated Deficit

The School is analyzing operations to determine appropriate steps to alleviate the deficit. Management has concluded that it can best serve its students and eliminate the deficit by achieving a significant increase in revenues to supplement state support. It has, accordingly, hired a grant writer whose primary responsibility will be the conduct of a focused and aggressive campaign for increasing grant revenues.

As of February 8, 2001, the parent corporation (ISUS) has determined that it will forgive the \$52,266 Loan Payable reflected in the financial statements. The parent corporation has provided financial support to the School in the past and intends to continue such support. Per resolution, the Board of Trustees of the parent corporation has assured financial support to the School through the end of fiscal year 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

ISUS Trade & Technology Prep
Community School
Montgomery County
140 North Keowee Street
Dayton, Ohio 45402

To the Board of Governance:

We have audited the financial statements of the ISUS Trade & Technology Prep Community School, Montgomery County, (the School), as of and for the year ended June 30, 2000, and have issued our report thereon dated March 20, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the School in a separate letter dated March 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated March 20, 2001.

ISUS Trade & Technology Prep
Community School
Montgomery County
Report of Independent Accountants on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

March 20, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

ISUS TRADE AND TECHNOLOGY PREP COMMUNITY SCHOOL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 24, 2001**