



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

ISUS Trade and Technology Prep Community School
Montgomery County
140 N. Keowee Street
Dayton, Ohio 45402-1309

To the Board of Governance:

We have audited the accompanying balance sheet of ISUS Trade and Technology Prep Community School, Montgomery County (the School), as of June 30, 2002, and the related Statement of Revenue, Expenses, and Changes in Retained Earnings 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 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 included 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 ISUS Trade and Technology Prep Community School, Montgomery County, as of June 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2003 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 26, 2003

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

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

ASSETS

Current Assets:

Cash	\$163,301
Account Receivable	919,062
Intergovernmental Receivable	653,452
Prepaid Items	<u>37,677</u>
Total Current Assets	<u>1,773,492</u>

Non-Current Assets:

Equipment (Net Accumulated Depreciation)	<u>64,189</u>
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Total Assets	<u>1,837,681</u>
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LIABILITIES AND EQUITY

Liabilities:

Accounts Payable	227,854
Intergovernmental Payable	18,000
Accrued Wages and Benefits Payable	129,187
Compensated Absences Payable	<u>24,926</u>
Total Liabilities	<u>399,967</u>

Fund Equity:

Retained Earnings	<u>1,437,714</u>
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Total Liabilities and Fund Equity	<u>\$1,837,681</u>
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The accompanying notes to the financial statements are an integral part of this statement.

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

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

Operating Revenues:	
State Foundation	\$1,670,675
Disadvantage Pupil Impact Aid	8,883
Contributions	30,748
Charges For Services	201,000
Miscellaneous	1,166
	<hr/>
Total Operating Revenues	1,912,472
Operating Expenses:	
Salaries	1,603,094
Fringe Benefits	369,261
Purchased Services	303,449
Materials and Supplies	104,163
Depreciation	4,897
Other Operating Expenses	198,303
	<hr/>
Total Operating Expenses	2,583,167
Operating Loss	<hr/> (670,695)
Non-Operating Revenues:	
Federal Grants	341,219
State Grants	449,276
Private Grants	8,389
ISUS Revenue - Note 11	1,063,214
	<hr/>
Total Non-Operating Revenues	1,862,098
Net Income	<hr/> 1,191,403
Retained Earnings at Beginning of Year	<hr/> 246,311
Retained Earnings at End of Year	<hr/> \$1,437,714

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

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

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

Increase/Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Provided By State of Ohio	\$1,552,512
Cash Provided By Contributions	2,770
Cash Provided By Billings	63,974
Cash Provided By Charges for Services	73,334
Cash Provided By Miscellaneous Sources	1,166
Cash Used For Employees for Services	(1,583,008)
Cash Used For Suppliers for Goods and Services	<u>(1,231,287)</u>
Net Cash Used For Operating Activities	<u>(1,120,539)</u>

Cash Flows from Noncapital Financing Activities

Cash Provided By ISUS	956,439
Cash Provided By Federal and State Grants	<u>290,027</u>
Net Cash Provided By Noncapital Financing Activities	<u>1,246,466</u>

Cash Flows from Capital and Related Financing Activities

Cash Used For Acquisition of Capital Assets	<u>(25,357)</u>
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Net Increase in Cash	100,570
Cash at Beginning of Year	<u>54,342</u>
Cash at End of Year	<u><u>154,912</u></u>

Reconciliation of Operating Loss to Net Cash Used For Operating Activities

Operating Loss	(670,695)
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Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities

Depreciation	4,897
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Change in Assets and Liabilities

(Increase) in Accounts Receivable	(49,469)
(Increase) in Intergovernmental Receivable	(201,647)
(Increase) in Prepaid Items	(37,677)
(Decrease) in Accounts Payable	(238,965)
Increase in Intergovernmental Payable	18,000
Increase in Accrued Wages and Benefits Payable	46,203
Increase in Compensated Absences Payable	<u>8,814</u>

Net Cash Used For Operating Activities	<u><u>(\$1,120,539)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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 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. 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 six member Board of Trustees. The Board is ultimately responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional facility that was staffed by 11 certificated counseling and teaching personnel, 10 non-certificated instructional staff persons, and 17 non-certificated administrative staff. Approximately two hundred eighty students were served during the 2001-2002 school year.

The School participates in two organizations which are defined as jointly governed organizations. These organizations are the Improved Solutions for Urban Systems, Inc. (ISUS) and ISUS Trade and Technology Community School of Cincinnati, Hamilton County. These organizations are presented in Note 15 to the general purpose financial statements.

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:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e. net total assets) includes the retained earnings component. 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, requires the following:

- The Business Manager will review projected and actual expenditures at least monthly and prepare quarterly reports for submission to the Board.
- An annual monthly spending plan will be written and approved by the Board.
- For items meeting the fixed asset criteria, a purchase order must be completed.
- A purchase order must be completed for supplies.

D. Cash

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Estimates

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

F. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

G. Intergovernmental Revenue

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

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

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

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the school was awarded \$284,000 to offset start-up costs of the School. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts received under the above named programs for the 2002 school year totaled \$2,478,442.

H. Compensated Absences

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2002, are reported as accrued liabilities in the accompanying financial statements.

J. Exchange and Non Exchange Transactions

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

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

3. CASH AND DEPOSITS

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

Deposits: At June 30, 2002, the School had a cash balance of \$163,301, which is presented as cash in the accompanying financial statements. The bank balance of the School's deposits was \$397,434. Of the bank balance \$100,000 was covered by federal deposit insurance and \$297,434 was covered by pooled collateral. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School to a successful claim by the Federal Deposit Insurance Corporation.

4. RECEIVABLES

A. Accounts Receivable

Accounts receivable at June 30, 2002 consisted largely 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. The amount due from ISUS at June 30, 2002 is \$918,259.

Other accounts receivable due to the School at June 30, 2002 include miscellaneous amounts totaling \$803.

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

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

4. RECEIVABLES (Continued)

B. Intergovernmental Receivables

Intergovernmental receivables at June 30, 2002 consisted of the following:

Byrne Memorial Grant	\$ 23,219
Sinclair College	415,000
E Rate	13,585
State Grant	14,663
Charter School Grant	34,000
Vocational Education	127,047
ISUS Trade Technology Cincinnati	<u>25,938</u>
Total Intergovernmental Receivable	<u><u>\$ 653,452</u></u>

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the period ended June 30, 2002, the School contracted with The Cincinnati Insurance Company for property and general liability insurance.

The School leased a facility of which they were named insured's with ISUS, Inc., 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.

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 dental, life, and medical/surgical benefits. The School pays 85% of the monthly premium and the employee is responsible for the remaining 15%. The School pays 50% of the monthly vision premium and the employee is responsible for the other 50%. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents.

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

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

6. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$49,916, \$23,597, and \$42,301, respectively; 100 percent has been contributed for fiscal years 2002, 2001, and 2000.

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, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 9.5 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 years ended June 30, 2002, 2001, and 2000 were \$51,912, \$40,802, and \$40,638, respectively; 100 percent has been contributed for fiscal years 2002, 2001, and 2000.

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

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

7. POST-EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$24,590 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$78,073.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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

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

8. OTHER EMPLOYEE BENEFITS – COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from School policy and State laws. Employees earn seven days of vacation after one full year of employment. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers, administrators and employees earn sick leave at the rate of three hours per pay period, accruable to eighty hours. Sick leave in excess of eighty hours is reimbursed on a quarterly basis.

9. STATE SCHOOL FUNDING DECISION

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

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

10. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School as of June 30, 2002.

B. Pending Litigation

A Suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (ie., Charter) Schools program violates the State Constitution and State laws. The effect of this suit, if any, on the School is not presently determinable.

C. 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 review resulted in the overpayment to the School in the amount of \$18,000. This amount is reflected as an intergovernmental payable at June 30, 2002. ODE began deducting this amount from the Schools foundation settlement in February of 2003, at \$3,600 per month for five months.

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

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

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 Improved Solutions for Urban Systems, Inc.(ISUS), of which the School contracts for services. Full disclosure of the member's interest in the for profit corporation and in both nonprofit corporations, that of the School and that of ISUS, have been made. During fiscal year 2002, the School paid \$1,948 to this Board member for contract services.

The member's interest in the contract for services is further protected pursuant to Ohio Revised Code Section 314.03(A)(11)(e), which states:

The school shall comply with Chapter 102 of the Revised Code except that nothing in that chapter shall prohibit a member of the school's governing board from also being an employee of the school and nothing in that chapter or section 2921.42 of the Revised Code shall prohibit a member of the school's governing board from having an interest in a contract into which the governing board enters.

B. ISUS Revenue

The School received \$1,063,214 in revenue from its management company ISUS, Inc. for the purpose of covering certain salaries, fringe benefits, purchased services, materials & supplies, and capital outlay expenses that were associated with state and federal grants , that were applied for and received in the name of ISUS, Inc. of which 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 these transactions have been recorded on the basis of accounting used for reporting purposes, as described in Note 2.

The following lists the sources of the \$1,063,214 state and federal grant benefits and other sources received by the School.

State Grants

Ohio Department of Development	\$ 35,379
Community Tech	50,000
Jobs and Family	<u>589,098</u>

Total State Grants \$ 674,477

Federal Grants

Americorp	\$ 90,450
Criminal Justice	26,874
Digital Divide	51,536
YouthBuild	<u>220,384</u>

Total Federal Grants \$ 389,244

Other Sources

Sinclair Community College	\$ <u>(507)</u>
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Total ISUS Revenue \$1,063,214

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

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

11. RELATED PARTY TRANSACTIONS (Continued)

C. Accounts Payable

Included in the accounts payable balance is \$196,660 due to the management company, ISUS, Inc. for reimbursement of administrative employees payroll, office supplies, health insurance, and lease payments.

D. Accounts / Intergovernmental Receivable

Included in the accounts receivable balance is \$918,259 due from the management company, ISUS, Inc. for grants which pass through to the School.

Included in the Intergovernmental receivable is \$25,938 due from ISUS Trade and Technology Community School of Cincinnati, Inc. for reimbursement of administrative and regular payroll, payroll liabilities, health insurance, and life insurance.

12. OPERATING LEASE

During fiscal year 2002, the School leased a building and office facility under an operating lease ending June 30, 2002 from ISUS Inc. Total lease payments due were \$120,000 for the year ended June 30, 2002, which includes utilities, telephone service, and janitorial service. Lease payments made for the year ended June 30, 2002 were \$90,000 the remainder is included in the ISUS payable. 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.

13. PURCHASED SERVICES

For the fiscal year 2002, purchased service expenses were payments for services rendered by various vendors as follows:

Professional/Technical Services	\$ 17,816
Contracted Craft/Trade Services	14,745
Sinclair College Tuition	<u>270,888</u>
Total	<u>\$303,449</u>

14. FIXED ASSETS

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

Equipment	\$70,330
Less: Accumulated Depreciation	<u>(6,141)</u>
Net Fixed Assets	<u>\$64,189</u>

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

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

15. JOINTLY GOVERNED ORGANIZATIONS

ISUS Trade and Technology Community School of Cincinnati, Inc. Hamilton County - ISUS Trade and Technology Community School of Cincinnati, Inc. Hamilton County is a distinct community school in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The School paid \$17,545 for health care premiums and payroll related reimbursements to this organization during fiscal year 2002. To obtain financial information, write to ISUS Trade and Technology Prep Community School, Montgomery County, David Bridge, Treasurer, at 140 North Keowee Street, Dayton, Ohio 45402.

Improved Solutions for Urban Systems, Inc. (ISUS) - Improved Solutions for Urban Systems, Inc. (ISUS) is a for-profit corporation in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. ISUS is the management company for the School. The School paid \$843,348 for administrative services to this organization during fiscal year 2002. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Treasurer, at 140 North Keowee Street, Dayton, Ohio 45402.

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**Auditor of State
Betty Montgomery**

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

ISUS Trade and Technology Prep Community School
Montgomery County
140 N. Keowee Street
Dayton, Ohio 45402-1309

To the Board of Governance:

We have audited the financial statements of ISUS Trade and Technology Prep Community School, Montgomery County, (the School), as of and for the year ended June 30, 2002, and have issued our report thereon dated March 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated March 26, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 26, 2003.

ISUS Trade and Technology Prep Community School
Montgomery County
Independent Accountants' Report On Compliance And
On Internal Control Required By *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

March 26, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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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
APRIL 15, 2003**