



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - As of June 30, 2004.....	7
Statement of Revenues, Expenses, and Changes in Net Assets – For the Year Ended June 30, 2004.....	8
Statement of Cash Flows – For the Year Ended June 30, 2004	9
Notes to the Financial Statements	11
Schedule of Federal Awards Receipts and Expenditures – For the Year Ended June 30, 2004.....	23
Notes to Schedule of Federal Awards Receipts and Expenditures	24
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	25
Independent Accountants' Report on Compliance with Requirements Applicable To Major Federal Programs and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	27
Schedule of Findings.....	29

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Governance:

We have audited the accompanying basic financial statements of ISUS Trade and Technology Prep Community School, Montgomery County, (the School), as of and for the fiscal year ended June 30, 2004 as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2004, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2004, the School implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2005, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Managements Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. 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.

We conducted our audit to form an opinion on the School's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis and is not a required part of the basic financial statements. We subjected this to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole

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

Betty Montgomery
Auditor of State

April 12, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

The discussion and analysis of ISUS Trade and Technology Prep Community School's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and 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 fiscal year 2004 are as follows:

- Total net assets decreased by \$472,444 during fiscal year 2004, which represents a 33.3 percent decrease from fiscal year 2003. The change reflects disproportionate increases in expenses over revenues as detailed in the next section.
- Total liabilities increased \$313,465 which represents a 71.9 percent increase from the prior year. The increase resulted primarily from the levying of a \$131,474 overpayment in Foundation payments by ODE.
- The operating loss reported for fiscal year 2004 (\$1,845,151) was \$1,056,110 more than the operating loss reported for fiscal year 2003 or a 133.9 percent increase.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

Table 1 provides a summary of the School's net assets for fiscal year 2004 compared with fiscal year 2003.

	Table 1 Net Assets	
	<u>2004</u>	<u>2003</u>
Assets:		
Current and other assets	\$1,564,088	\$1,747,667
Capital assets, net	<u>129,622</u>	<u>82,925</u>
Total Assets	<u>1,693,710</u>	<u>1,830,592</u>
Liabilities:		
Current liabilities	<u>748,938</u>	<u>435,473</u>
Total Liabilities	748,938	435,473
Net Assets:		
Invested in capital assets	129,622	82,925
Unrestricted	<u>815,150</u>	<u>1,312,194</u>
Total Net Assets	<u>\$ 944,772</u>	<u>\$1,395,119</u>

Total net assets of the School decreased by \$472,444 or 33.3 percent. The decrease in total net assets from fiscal year 2003 reflects disproportionate increase in expenses over revenues. Management continues efforts to maintain operating costs at a reasonable level to ensure the financial stability of the School.

As noted in Table 1 above, reported unrestricted net assets at June 30, 2004 decreased by \$497,044 from those reported at June 30, 2003. The disproportionate increase in expenses over revenues contributed to reducing unrestricted net assets reported at year end.

The increase of \$46,697 in net assets invested in capital assets results from the purchase of educational software and student tracking software.

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

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

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004, as well as revenue and expense comparisons to fiscal year 2003.

**Table 2
Changes in Net Assets**

	<u>2004</u>	<u>2003</u>
Operating Revenues:		
Foundation payments	\$1,637,226	\$1,687,365
Disadvantage Pupil	8,000	7,843
Charges for Services	1,415,863	1,723,116
Miscellaneous revenues	3,206	1,608
Non Operating Revenues:		
State and Federal grants	1,271,920	361,595
Contributions	29,544	247,990
ISUS Revenue	79,692	141,080
Total Revenues	<u>4,445,451</u>	<u>4,170,597</u>
Operating Expenses:		
Salaries	2,528,275	2,185,050
Fringe benefits	811,402	672,999
Purchased Services	1,288,420	727,157
Materials and supplies	159,696	408,968
Depreciation	23,220	15,709
Other expenses	98,433	199,090
Non Operating Expenses		
Interest and fiscal charges	8,449	4,219
Total Expenses	<u>4,917,895</u>	<u>4,213,192</u>
Increase in net assets	(472,444)	(42,595)
Net assets, beginning of year (Restated)	<u>1,417,216</u>	<u>1,437,714</u>
Net assets, end of year	<u>\$ 944,772</u>	<u>\$1,395,119</u>

The increase in Charges for Services was related to revenues received for the planning services that were provided to ISUS Trade and Technology Prep Community Schools of Lima, Hamilton, Columbus, and Springfield, unopened Schools, each of which has a contract with ODE. Contributions decreased due to a \$245,000 donation of office furniture booked in FY2003. ISUS revenue decreased due to the reduction of pass through grants, passed through from ISUS Corporation. Some of the grants were awarded directly to the School, which led to and increase in State and Federal grants.

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

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

Total expenses of the School reported for the fiscal year were \$704,703 greater than what was reported in the prior fiscal year. Payroll and Fringe benefits increased \$481,628 or 16.85 percent due to the hiring of additional staff and rising health insurance costs. Purchased Services increased \$561,263 or 77.19 percent due to an 85.78 percent increase in rent, \$42,525 increase in Professional Development costs, and a \$29,472 campaign for student recruitment. The rent increase was due to ISUS Corporation charging The School on site lab fees for the use of the construction sites, for student training. The increased cost in Professional Development was associated with the training and education of our vocational education instructors, to meet the State's requirements for vocational education funding.

The overall increase in expenditures is reflective of increased costs of doing business and personnel costs necessary to be compliant with No Child Left Behind requirements. Management continues efforts to maintain costs at a reasonable level to ensure the financial stability of the School.

Capital Assets

At June 30, 2004, capital assets of the School were \$174,692 off-set by \$45,070 in accumulated depreciation resulted in net capital assets of \$129,622. Table 3 shows the categories of capital assets maintained by The School, net of accumulated depreciation, at June 30, 2004 and 2003.

**Table 3
Capital Assets, Net of
Depreciation**

	<u>2004</u>	<u>2003</u>
Leasehold improvements	\$22,260	\$11,968
Equipment	71,729	70,957
Computer Software	<u>35,633</u>	
Totals	<u>\$129,622</u>	<u>\$82,925</u>

The increase in net capital assets is due to the purchase of an educational software package and a student information software package during fiscal year 2004.

Debt

At June 30, 2004, the debt obligations of the School consisted of a \$130,000 loan payable issued during fiscal year 2004 for cash flow purposes.

Contacting the School

This financial report is designed to provide a general overview of the finances of the ISUS Trade and Technology Prep Community School 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: ISUS Trade and Technology Prep Community School, 140 N. Keowee St., Dayton, OH 45402.

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

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

ASSETS

Current Assets

Cash	\$293,430
Account Receivable	935,196
Intergovernmental Receivable	189,618
Deposit in Escrow	<u>145,844</u>

Total Current Assets 1,564,088

Non-Current Assets (Net Accumulated Depreciation)

Equipment	107,362
Leasehold Improvements	<u>22,260</u>

Total Non-Current Assets 129,622

Total Assets 1,693,710

LIABILITIES

Accounts Payable	202,748
Intergovernmental Payable	210,584
Accrued Wages and Benefits Payable	168,257
Compensated Absences Payable	37,349
Loan Payable	<u>130,000</u>

Total Liabilities 748,938

NET ASSETS

Invested in Capital Assets	129,622
Unrestricted	<u>815,150</u>

Total Net Assets \$944,772

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

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

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

Operating Revenues	
State Foundation	\$1,637,226
Disadvantage Pupil Impact Aid	8,000
Charges For Services	1,415,863
Miscellaneous	3,206
	<hr/>
Total Operating Revenues	3,064,295
	<hr/>
Operating Expenses	
Salaries	2,528,275
Fringe Benefits	811,402
Purchased Services	1,288,420
Materials and Supplies	159,696
Depreciation	23,220
Other Operating Expenses	98,433
	<hr/>
Total Operating Expenses	4,909,446
	<hr/>
Operating Loss	(1,845,151)
	<hr/>
Non-Operating Revenues (Expenses)	
Federal Grants	1,252,756
State Grants	19,164
Contributions	29,544
On Behalf Payments	79,692
Interest Expense	(8,449)
	<hr/>
Total Non-Operating Revenues/Expenses	1,372,707
	<hr/>
Change in Net Assets	(472,444)
Net Assets at Beginning of Year (Restated)	1,417,216
	<hr/>
Net Assets at End of Year	\$944,772
	<hr/> <hr/>

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

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

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

Increase in Cash and Cash Equivalents

Cash Flows Provided By (Used) For Operating Activities

Cash Provided By State of Ohio	\$1,452,314
Cash Provided By Private Grants	1,218,217
Cash Provided By Charges for Services	569,842
Cash Provided By Miscellaneous Sources	45,845
Cash Used For Employees for Services	(3,152,055)
Cash Used For Suppliers for Goods and Services	<u>(1,449,497)</u>

Net Cash Used For Operating Activities (1,315,334)

Cash Flows Provided By Noncapital Financing Activities

Cash Provided By ISUS	106,526
Cash Provided By Federal and State Grants	<u>1,296,727</u>

Net Cash Provided By Noncapital Financing Activities 1,403,253

Cash Flows Provided By (Used) For Capital and Related Financing Activities

Cash Provided by Proceeds from Loan	50,000
Cash Used For Payment of Principal	(20,000)
Cash Used For Interest Payments	(8,449)
Cash Used For Acquisition of Capital Assets	<u>(69,917)</u>

Net Cash Used For Capital and Related Financing Activities (48,366)

Net Increase in Cash 39,553

Cash at Beginning of Year 253,877

Cash at End of Year 293,430

**Reconciliation of Operating Loss to Net Cash
Used For Operating Activities**

Operating Loss (1,845,151)

**Adjustments to Reconcile Operating Loss to Net
Cash Used For Operating Activities**

Depreciation 23,220

Change in Assets and Liabilities

Decrease in Accounts Receivable	204,903
Increase in Intergovernmental Receivable	(29,718)
Decrease in Prepaid Items	47,947
Increase in Accounts Payable	133,605
Increase in Intergovernmental Payable	118,857
Increase in Accrued Wages and Benefits Payable	58,281
(Decrease) in Compensated Absences Payable	<u>(27,278)</u>

Net Cash Used For Operating Activities (\$1,315,334)

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

This page intentionally left blank.

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

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

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 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, 15 non-certificated instructional staff persons, and 29 non-certificated administrative staff. Approximately two hundred eighty (280) students were served during the 2003-2004 school year.

The School is associated with six organizations which are defined as related organizations. These organizations are the Improved Solutions for Urban Systems, Inc. (ISUS), ISUS Trade and Technology Community School of Columbus, ISUS Trade and Technology Community School of Lima, ISUS Trade and Technology Manufacturing, ISUS Trade and Technology of Springfield, and ISUS Trade and Technology School of Cincinnati, Hamilton County. These organizations are presented in Note 17 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(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 retained earnings. 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 capital 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. 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.

E. Estimates

The preparation of financial statements in conformity with GAAP 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 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 the asset.

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

Amounts received under the above named programs for the 2004 school year totaled \$2,917,146.

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, 2004, are reported as accrued liabilities in the accompanying financial statements.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

K. Change in Accounting Principles:

For fiscal year 2004, the School has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures".

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

3. RESTATEMENT OF NET ASSETS

During fiscal year 2004, the School determined that net assets were understated by \$22,097, as of June 30, 2003, as the result of un-posted adjustments. The correction resulted in the following changes to net assets as previously reported as of June 30, 2003.

Net Assets, June 30, 2003 (as reported)	\$1,395,119
Correction of Prior Year Adjustments	<u>22,097</u>
Net Assets, July 1, 2003 (Restated)	<u><u>\$1,417,216</u></u>

4. 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."

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

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

4. CASH AND DEPOSITS (Continued)

Deposits: At June 30, 2004, the School had a cash balance of \$293,430, which is presented as cash in the accompanying financial statements. The bank balance of the School's deposits was \$317,127. Of the bank balance \$100,000 was covered by federal deposit insurance and the remaining \$217,127 was uncollateralized. Securities serving as collateral were held by the pledging financial institution's trust department in the financial institution's name. Non-compliance with federal requirements could potentially subject the School to a successful claim by the Federal Deposit Insurance Corporation.

Deposit in escrow: The School and C & T Design and Equipment Co., Inc. entered into an agreement in which \$145,844 would be held in escrow until the renovation of the dining facility of the school is complete.

5. RECEIVABLES

A. Accounts Receivable

Accounts receivable at June 30, 2004 consisted 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 due the School at June 30, 2004 include:

Sinclair Community College	\$53,702
ISUS, Inc.	591,504
One-Time Customer	12,143
Trade Tech Cincinnati	274,093
Other	3,719
Trade Tech Manufacturing	<u>35</u>
Total Receivables	<u>\$935,196</u>

B. Intergovernmental Receivable

Intergovernmental receivable at June 30, 2004 consisted of the following:

<u>Grant</u>	<u>Amount</u>
Byrne Memorial	\$ 18,082
Ohio School Facilities	17,118
School Lunch	6,793
YouthBuild	<u>147,625</u>
Total	<u>\$189,618</u>

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

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

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the period ended June 30, 2004, 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 \$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, through a contract held by ISUS, Inc., provides employee dental, life, and medical and 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.

7. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$108,153, \$173,966, and \$49,916 respectively; 100 percent has been contributed for fiscal years 2004, 2003, and 2002.

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

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

7. DEFINED PENSION BENEFIT PLANS (Continued)

B. State Teachers Retirement System

The School District 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% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003 and 2002 were \$110,264, \$105,757 and \$51,912, respectively; 100 percent has been contributed for the fiscal years 2004, 2003 and 2002. No contributions to the DC and Combined Plans for the fiscal years ended June 30, 2004 were made by the School or by the plan members.

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

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

8. 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, 2004, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$8,482 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 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, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$24,500. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$58,419.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

9. 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.

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

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

10. 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.

11. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2004.

B. Pending Litigation

A Suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the State Constitution and State laws. On April 21, 2004 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2004. 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 found there was an overpayment to the School in the amount of \$79,110. This amount is included in the Intergovernmental Payable and was deducted from the State Foundation revenues. The School has appealed ODE's overpayment assessment and has advised ODE that no payment will be made toward the overpayment pending the appeal. As of the date of this report, there has been no response from ODE.

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

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

12. RELATED PARTY TRANSACTIONS

A. 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 2004.

B. Accounts Payable

Included in the accounts payable balance is \$122,927 due to ISUS Inc. for reimbursement of administrative employees payroll, office supplies, health insurance, and lease payments.

C. 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 \$104,898 for administrative services to this organization during fiscal year 2004. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Treasurer, at 140 North Keowee Street, Dayton, Ohio 45402.

13. OPERATING LEASE

During fiscal year 2004, the School leased a building and office facility under an operating lease ending June 30, 2004 from ISUS Inc. Total lease payments were \$339,239 for the year ended June 30, 2004, 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.

14. LOANS PAYABLE

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. Interest was paid monthly at 6%.

A summary of the loans payable activity for fiscal year 2004 follows:

Beginning Balance	Additions	Reductions	Ending Balance
\$100,000	\$50,000	\$20,000	\$130,000

15. PURCHASED SERVICES

For the fiscal year 2004, purchased services expenses were payments for services rendered by various vendors for the following:

Professional/Technical Services	\$617,533
Contracted Craft/Trade Services	595,947
Administrative	<u>74,940</u>
Total	<u>\$1,288,420</u>

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

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

16. CAPITAL ASSETS

A summary of the capital assets at June 30, 2004 follows:

Furniture and Equipment	\$151,924
Leasehold Improvements	22,768
Less: Accumulated Depreciation	<u>(45,070)</u>
Net Capital Assets	<u>\$129,622</u>

17. RELATED 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 community school in the State of Ohio, operated under the direction of the same Board of Trustees that operates the School. The School paid \$412,930 for health care premiums and payroll related reimbursements for this organization during fiscal year 2004. To obtain financial information, write to ISUS Trade and Technology Community School Cincinnati, Hamilton County, David Bridge, Treasurer, at 140 North Keowee Street, Dayton, Ohio 45402.

ISUS Trade and Technology Community School of Columbus, ISUS Trade and Technology Community School of Lima, ISUS Trade and Technology Manufacturing, and ISUS Trade and Technology of Springfield are community schools in the State of Ohio, operated under the direction of the same Board of Trustees that operate the School. The abovementioned schools are in the start-up phase of the community school process. The School provides administrative services to the abovementioned community schools with amounts due, as of June 30, 2004, to the School as defined in Note 5. 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 not-for-profit corporation in the State of Ohio, operated under the direction of a different Board of Trustees. The School paid \$104,898 for administrative services to this organization during fiscal year 2004. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Treasurer, at 140 North Keowee Street, Dayton, Ohio 45402.

18. INTERGOVERNMENTAL PAYABLE

Intergovernmental Payables at June 30, 2004 consisted of the following:

FY 2004 Insufficient Funds Adjustment	\$131,474
FY 2004 FTE Adjustment	79,110
Total Intergovernmental	<u><u>\$210,584</u></u>

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

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

19. ACCOUNTS PAYABLE

Account Payables at June 30, 2004 consisted of the following:

ISUS, Inc.	\$122,927
Various payroll related expenses	19,365
Other	<u>60,456</u>
Total Accounts Payable	<u>\$202,748</u>

20. SUBSEQUENT EVENT

House Bill 364 (effective date April 2003) modified the Ohio Department of Education's (ODE) sponsor responsibility, in that ODE is no longer allowed to sponsor community schools. Those community schools currently sponsored by ODE must seek new sponsorship. As of June 30, 2005 funding will cease to those community schools that have not found another sponsor. As of the date of this report, the School, which was sponsored by ODE, had not obtained new sponsorship. The School is aggressively working to obtain new sponsorship before the June 30, 2005 deadline.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
<i>Nutrition Cluster:</i>				
School Breakfast Program	05PU-2004	10.553	\$3,280	\$3,965
National School Lunch Program	LLP4-2004	10.555	<u>9,736</u>	<u>11,768</u>
Total United States Department of Agriculture - Nutrition Cluster			<u>13,016</u>	<u>15,733</u>
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Direct</i>				
Federal Emergency Repair Program (FERP)	717	84.352A	<u>408,183</u>	<u>419,642</u>
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Education Agencies	C1S1-04	84.010	68,615	58,684
	C1S1-03		<u>9,930</u>	<u>9,930</u>
Total Title I Grants to Local Educational Agencies			<u>78,545</u>	<u>68,614</u>
Special Education Grants to States	6BSF-04	84.027	15,389	15,389
Improving Teacher Quality State Grants	TRS1-03	84.367	24,149	24,149
	TRS1-04		<u>25,891</u>	<u>20,287</u>
Total Improving Teacher Quality			<u>50,040</u>	<u>44,436</u>
Education Technology State Grants	TJS1-04	84.318	<u>2,512</u>	<u>2,512</u>
Total United States Department of Education			<u>554,669</u>	<u>550,593</u>
UNITED STATES DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Juvenile Justice and Delinquency Prevention Allocation to States	2003-JJ-DP2-0045	16.540	24,669	24,669
Byrne Formula Grant	2003-DG-CO1-7503	16.579	<u>54,691</u>	<u>54,691</u>
Total United States Department of Justice			<u>79,360</u>	<u>79,360</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Community Service Council</i>				
Opportunity for Youth - Youthbuild Program	Y-02-IM-OH-0212	14.243	<u>618,726</u>	<u>618,726</u>
Total Federal Financial Assistance			<u>\$1,265,771</u>	<u>\$1,264,412</u>

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

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

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

NOTE C - MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

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

To the Board of Governance:

We have audited the financial statements of the business-type activities of ISUS Trade and Technology Prep Community School, Montgomery County, (the School), as of and for the fiscal year ended June 30, 2004, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 12, 2005, wherein we noted that the School implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the School's management in a separate letter dated April 12, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures 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 the School's management in a separate letter dated April 12, 2005.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

April 12, 2005



**Auditor of State
Betty Montgomery**

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

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

To the Board of Governance:

Compliance

We have audited the compliance of ISUS Trade and Technology Prep School, Montgomery County, (the School), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the School in a separate letter dated April 12, 2005.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of School in a separate letter dated April 12, 2005

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



Betty Montgomery
Auditor of State

April 12, 2005

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR END JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material 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):	CFDA# 14.243: Opportunity for Youth – Youthbuild Program CFDA # 84.352A: Federal Emergency Repair Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDING FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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 5, 2005**