



Mary Taylor, CPA
Auditor of State

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Technical College Preparatory World Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Technical College Preparatory World Academy as of June 30, 2005, and the respective changes in financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. As shown in the financial statements, at June 30, 2005, the Academy had a working capital deficiency of \$341,539 and a net asset deficiency of \$329,732. Management's plans in regards to these matters are discussed in Note 12.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

November 16, 2007

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)**

The discussion and analysis of the Technological College Preparatory (TCP) World Academy Community School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

- In total, net assets decreased \$401,423 from the beginning of the year. This decrease was due to a reduction in the amount of Federal Grant monies received during the year and no grant funds were receivable at year end. The School also experienced an increase in accounts payable at year end.
- Total assets decreased \$230,866 from the beginning of the year. This decrease was the result of no grant monies receivable at year end.
- Liabilities increased \$170,557 from the beginning of the year due to increases in accounts payable, Intergovernmental Payable and Accrued Wages Payable.

Using this Financial Report

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

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)**

Statement of Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during 2005?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2005 and fiscal year 2004:

(Table 1)
Net Assets

	2005	2004 Restated
Assets		
Current Assets	\$24,622	\$241,876
Capital Assets, Net	11,807	25,419
Total Assets	36,429	267,295
Liabilities		
Current Liabilities	366,161	195,604
Total Liabilities	366,161	195,604
Net Assets		
Invested in Capital Assets	11,807	25,419
Unrestricted	(341,539)	46,272
Total Net Assets	(\$329,732)	\$71,691

Total assets decreased \$230,866 from the beginning of the year. This primarily due to decreases in receivables and a decrease in fixed assets. Liabilities increased \$170,557 from the beginning of the year due increases in accounts payable, intergovernmental payable for an overpayment of 2005 foundation payments.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)**

Table 2 shows the changes in net assets for fiscal year 2005 and fiscal year 2004, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2005	2004 Restated
Operating Revenues:		
Foundation Payments	\$1,665,645	\$1,606,967
Disadvantaged Pupil Impact Aid	291,788	301,190
Charges for Services and Sales	17,464	10,167
Other	36,815	42,830
Non-Operating Revenues:		
Federal and State Grants	388,620	635,450
Interest	1,361	2,099
Total Revenues	2,401,693	2,598,703
Operating Expenses		
Salaries	1,507,375	1,215,531
Fringe Benefits and Payroll Taxes	672,830	616,158
Purchased Services	389,246	562,254
Materials and Supplies	166,844	214,123
Depreciation	13,612	13,754
Other Expenses	53,209	53,843
Total Expenses	2,803,116	2,675,663
Change in Net Assets	(\$401,423)	(\$76,960)

There was a decrease in revenues of \$197,010 and an increase in expenses of \$122,078 from 2004. The decrease in revenues was due to the decrease in federal grants. The increase in expenses was due to salaries and fringe benefits. Community Schools receive no support from tax revenues.

The expense for salaries and fringe benefits increased by \$348,516 from 2004. This was due to an increase in staffs' wages during fiscal year 2005, an increase of 3 employees, and an increase in Wages Payable.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)**

Capital Assets

At the end of fiscal year 2005 the School had \$11,807 (net of depreciation), invested in Capital Assets (Net of Depreciation), which represented a decrease of \$13,612 from 2004. This is primarily the result of the capitalized expense.

(Table 3)
**Capital Assets at June 30, 2005
(Net of Depreciation)**

	2005	2004 Restated
Furniture, Fixtures, and Equipment	<u>\$11,807</u>	<u>\$25,419</u>
Totals	<u><u>\$11,807</u></u>	<u><u>\$25,419</u></u>

Current Financial Issues

The TCP World Academy Community School was formed in 2000. During the 2004-2005 school year there were approximately 302 students enrolled in the School. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2004 amounted to \$5,169 per student. The average number of years experience for teachers was five (5) years.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Karen Y. French, Superintendent at T C P World Academy, 6000 Street, Ridge Avenue, Ohio or e-mail at tcpworldacademy.org.

Technological College Preparatory World Academy

Statement of Net Assets

June 30, 2005

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$24,622
Total Current Assets	<u>24,622</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	11,807
Total Non-Current Assets	<u>11,807</u>

Total Assets 36,429

Liabilities

Current Liabilities:

Accounts Payable	118,869
Accrued Wages and Benefits	166,128
Intergovernmental Payable	81,164
Total Current Liabilities	<u>366,161</u>

Total Liabilities 366,161

Net Assets

Invested in Capital Assets, Net of Related Debt:	11,807
Unrestricted-Accumulated (Deficit)	<u>(341,539)</u>

Total Net Asset (\$329,732)

See accompanying notes to the basic financial statements

Technological College Preparatory World Academy

Statement of Revenues, Expenses and

Changes in Net Assets

For the Fiscal Year Ended June 30, 2005

Operating Revenues	
Foundation Payment	\$1,665,645
Disadvantaged Pupil Impact Aid	291,788
Charges for Services	17,464
Other Revenues	36,815
	<hr/>
<i>Total Operating Revenues</i>	<i>2,011,712</i>
	<hr/>
Operating Expenses	
Salaries	1,507,375
Fringe Benefits and Payroll Taxes	672,830
Purchased Services	389,246
Materials and Supplies	166,844
Depreciation	13,612
Other	53,209
	<hr/>
<i>Total Operating Expenses</i>	<i>2,803,116</i>
	<hr/>
<i>Operating Loss</i>	<i>(791,404)</i>
	<hr/>
Non-Operating Revenues and (Expenses)	
Other Federal and State Grants	271,273
Interest Income	1,361
Federal and State Meal Subsidies	117,347
	<hr/>
<i>Total Non-Operating Revenues and Expenses</i>	<i>389,981</i>
	<hr/>
<i>Change in Net Assets</i>	<i>(401,423)</i>
	<hr/>
<i>Net Assets Beginning of Year (Restated)</i>	<i>71,691</i>
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<i>Net Assets End of Year</i>	<i>(\$329,732)</i>
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See accompanying notes to the basic financial statements

Technological College Preparatory Academy

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2005

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$1,957,433
Cash Received from Food Service	17,464
Cash Payments to Suppliers for Goods and Services	(371,834)
Cash Payments to Employees for Services and their benefits	(2,171,858)
Other Operating Revenue	94,154
Other Operating Expense	<u>(123,255)</u>
Net Cash Used for Operating Activities	<u>(597,896)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies Received	<u>576,377</u>
Net Cash Provided by Noncapital Financing Activities	<u>576,377</u>

Cash Flows from Capital and Related Financing Activities:

Net Cash Used for Noncapital Financing Activities	<u>0</u>
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Cash Flows from Investing Activities:

Other Non-Operating Revenues - Interest	<u>1,361</u>
Net (Decrease) in Cash and Cash Equivalents	(20,158)
Cash and Cash Equivalents at Beginning of Year	<u>44,780</u>
Cash and Cash Equivalents at End of Year	<u><u>\$24,622</u></u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	<u>(\$791,404)</u>
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Adjustments to Reconcile Operating

Income to Net Cash Provided by Operating Activities

Depreciation	
Depreciation	13,612
Decrease in Intergovernmental Receivable	9,339
Increase in Accounts Payable	97,833
Increase in Accrued Wages and Benefits	14,921
Increase in Intergovernmental Payable	<u>57,803</u>

Total Adjustments	<u>193,508</u>
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Net Cash Used for Operating Activities	<u><u>\$ (597,896)</u></u>
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See accompanying notes to the basic financial statements

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**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)**

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Quality Team Corporation operating as TCP World Academy, Hamilton County, Ohio (the School), is a non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through Seventh Grade. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. Quality Team Corporation qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The School was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2000. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the School's one instructional/support facility staffed by 29 non-certified and 19 certificated full time teaching personnel who provide services to 302 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the TCP World Academy 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, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

A. Basis Of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows. The School uses enterprise accounting to monitor its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor requires the school to follow Ohio Revised Code 5705.391 and prepare a five year projection however no budgetary information is presented in the financial statements.

E. Cash Deposits

All monies received by the School are accounted for by the School's Finance Director. For cash management, all cash received by the chief financial officer is pooled in a central bank account. Total cash for the School is presented as "equity in pooled cash and cash equivalents" on the accompanying statement of net assets.

The School had no investments during the fiscal year.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of six hundred dollars. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, Fixtures and Equipment	3 - 10 years
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TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Assets

Net assets represent the difference between assets and liabilities; assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The School has no debt.

H. Operating Revenues and Expenses

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

I. Estimates

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

NOTE 3 - DEPOSITS

At fiscal year end, the carrying amount of the School's deposits was \$24,622 and the bank balance was \$42,070. Of the bank balance, \$100,000 was covered by federal depository insurance.

Investments: The School had no investments at June 30, 2005, or during the fiscal year.

NOTE 4 - RECEIVABLES

As of June 30, 2005, the school had no receivables considered collectible in full and will be received within one year.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)
(Continued)**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005:

	Balance 6/30/04 Restated	Additions	Deletions	Balance 6/30/05
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	\$70,068	\$0		\$70,068
Total Capital Assets				
Being Depreciated	<u>70,068</u>	<u>0</u>	<u>\$0</u>	<u>70,068</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(44,649)	(13,612)		(58,261)
Total Accumulated Depreciation	<u>(44,649)</u>	<u>(13,612)</u>	<u>0</u>	<u>(58,261)</u>
Total Capital Assets				
Being Depreciated, Net	<u>\$25,419</u>	<u>(\$13,612)</u>	<u>\$0</u>	<u>\$11,807</u>

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School contracted with the Hartford Insurance Company for general liability and property insurance and Hartford Insurance Company for educational errors and omissions insurance.

Coverage is as follows:

Fire Damage (Any on fire)	\$300,000
Medical Expenses (Any one person)	10,000
Personal & Adv Injury	1,000,000
General Aggregate	2,000,000
Products - Comp/Op Agg	2,000,000
Boiler and Machinery	2,000,000
Business Personal Property (\$1,000 deductible)	356,700
Computers and Media Coverage (\$250 deductible)	100,000
Money and Securities - Inside Premises	10,000
Money and Securities - Outside Premises	5,000

There were no claims against this commercial coverage in any of the past five (5) years. There has been no significant change in insurance coverage from last year.

B. Workers' Compensation

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

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)
(Continued)**

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association

The Community School is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and Community Schools within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The Community School paid SWOCA \$10,999 for services provided during the year. Financial information can be obtained from the fiscal agent, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. 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 statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$78,047, \$72,067 and \$39,800; 87.83% percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The balance outstanding is reflected as an intergovernmental payable.

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.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$83,345, \$79,585 and \$85,597; 93.67% percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

NOTE 9 – POSTEMPLOYMENT BENEFITS

The School District 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 funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of 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, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$8,223 for fiscal year 2005.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)
(Continued)**

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$15,609.47 to fund health care benefits, including the surcharge.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), 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.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Directors.

Vacation Leave: Calendar year employees who are regularly scheduled to work 25 or more hours per week are eligible for vacation leave. Teachers or employees following the academic year calendar are not eligible for vacation leave. Unused accrued vacation leave days may not be carried forward into the next year.

A. Leave

Certified teachers earn one sick day each month resulting in nine sick days annually. Classified teacher assistants earn six sick days annually. Sick days with pay may not be used before they are earned. Sick days must be used during the fiscal year. Sick days do not carry over to the next year.

Full time other classified staff members earn six sick days and three personal leave days per year.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)
(Continued)**

NOTE 10 - EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

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

NOTE 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, 2005.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For the School, there was an insignificant variance between the amount received to date and the final payment comparison report equaling (\$38,607) which is recorded as an Intergovernmental Payable on the face of the statements. This variance will have no effect on the financial standing of the School.

C. Litigation

The suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e. Charter) school's program violates the state Constitution and state laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other courts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003.

On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect, if any, of this suit on the School is not presently determinable.

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on Technological College Preparatory World Academy cannot presently be determined.

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)
(Continued)**

NOTE 12 – WORKING CAPITAL DEFICIENCY/Deficiency in Net Assets

At June 30, 2005, the School had a working capital deficiency of \$341,539 and a net asset deficiency of \$329,732, meaning that current liabilities were in excess of current assets by this amount. Management feels that much of this deficiency is the result of less than expected Federal Grant receipts during fiscal year 2005. Further, Management anticipates growth in student enrollment that is now available with the renovation of a neighboring building, which will in turn increase future revenues in excess of future costs. The school also anticipated a reduction in disbursements during fiscal year 2006. Any excess revenue will be used by the School to address its current liabilities.

NOTE 13 –LEASE OF BUILDING- OPERATING LEASE

The Superintendent of the School (The Superintendent was also the President of the Board until 7/1/06) purchased the building in which the School is currently operating for \$ 340,000. The Superintendent leased the building to the School for \$ 6,500 a month for five years.

The School has one remaining monthly lease payment on the original 5 year lease as of June 30, 2005.

On February 28, 2005, the Academy entered into a new 5- year lease commencing July 1, 2005. The new 5 year lease commits the Academy to monthly lease payments of \$7,000 (\$84,000 annually) for the period of July 2005 though June 2010.

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

NOTE 14 – LOANS FROM OFFICERS/EMPLOYEES

The Superintendent of the School (The Superintendent was also the President of the Board until 7/1/06) made loans to the School. The loans were made to cover expenses and cash shortages as the School attempted to address its financial problems. During fiscal year 2005, additional loans were made to the Academy amounting to \$48,000. As of June 30, 2005, there was no outstanding balance for these loans. There were no debt agreements related to the loans that established terms, conditions, collateral or a specified interest rate.

NOTE 15 – RELATED PARTY

The Superintendent's brother is employed as the School's Nurse/Disciplinarian and also held a seat on the School Board until 7/1/06.

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

NOTE 16 – Prior Period Adjustment

The School restated beginning Net Assets by \$16,028. The School determined that a lease formerly capitalized should have been classified as an operating lease. The restated beginning net assets increased from \$55,663 to \$71,691.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

We have audited the basic financial statements of the Technological College Preparatory World Academy, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2005, and have issued our report thereon dated November 16, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as items 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the School's management dated November 16, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-002 and 2005-003. In a separate letter to the School's management dated November 16, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 16, 2007

**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Reportable Condition - Payroll Cycle

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

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

- The minutes stated the Board approved 2004-2005 staff raises, but there was no documentation of the actual salary amounts approved. The School paid employees in accordance with the individual contracts in the employees' personnel files.
- Personnel files for 12 employees contained no documentation verifying an authorized payroll rate and there was no documentation in the minutes verifying Board approval of their rates.
- Those 12 employees were paid amounts that did not agree with the Board approved rate and there was no documentation in their personnel files or in the minutes approving their actual pay rate.
- Reports received from the School's third party payroll processor ADP, Inc. were not reviewed and approved by the Treasurer and/or Superintendent.
- 80% of employees Master Leave Tracking Forms did not agree to the sign-in sheets.
- 80% of the employees Master Leave Tracking Forms did not agree to the Personal Leave Forms.
- The Master Leave Tracking Form does not indicate when partial leave days are taken or the dates in which leave was taken.

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

- All Pay rates and bonuses should be approved by the Board and documented in the minutes.
- All New hires should be approved by the Board and documented in the minutes.
- ADP, Inc. reports, including the Payroll Audit report and Master Control form, should be reviewed, compared to internal payroll records and approved by the Treasurer and/or Superintendent.
- Master Leave Tracking forms should be properly completed and document both the date and the number of hours of leave, in addition to the type of leave taken.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-002

Material Noncompliance

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

Mr. Deryle French, brother of Karen French, participated in voting to approve the contract to lease the building owned by Ms. French to the school as well as payroll related issues pertaining to Ms. French. Mr. French should abstain from any vote that provides a value to a family member. The Academy has since passed a resolution defining a majority vote.

This matter was referred to the Ohio Ethics Commission on November 10, 2005.

Officials' Response:

School officials responded in part as follows:

The auditors failed to consider the quorum and majority of acceptable votes that is included in the law. Deryle French's vote was not a deciding vote. The decision would have carried without his vote.

Auditor of State's Analysis:

Even though Deryle French's vote was not the deciding vote to approve a contract that benefited his sister, it is our opinion that Mr. French violated Ohio Revised Code section 2921.42 when he voted to authorize a public contract in which his sister had an interest.

FINDING NUMBER 2005-003

Material Noncompliance

Ohio Rev. Code, Section 149.351, requires that all records that are the property of the public office concerned shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code.

We identified 26% of the non-payroll items tested as not having a detailed invoice. We performed alternative procedures to determine that these were actual disbursements for school purposes.

Lack of detailed invoices increases the risk that the Academy will not be able document that payment are for proper public purpose; the Academy will lack documentation of the receipt of goods or services; and theft or fraud will occur and not be detected in a timely manner. We recommend that the Academy maintain detailed invoices as supporting documentation for payments.

**FINDING NUMBER 2005-003
(Continued)**

Officials' Response:

Because of returned funds to the ODE (State errors and decreases in Federal Title 1) invoices could not be paid in their entirety, we made arrangements with vendors, paid installments and provided statements instead of invoices for many debts paid.

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**TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Reportable Condition-Control Weaknesses over payroll cycle	Not Corrected	Reissued in finding 2005-001
2004-002	ORC 2921.42 Division (A) (1) for board members voting on issues involving payroll or contracts that benefit relatives.	Not Corrected	Reissued in finding 2005-002



Mary Taylor, CPA
Auditor of State

TECHNOLOGICAL COLLEGE PREPARATORY WORLD ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2007**