

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

JAMES LEHMANN, TREASURER



Mary Taylor, CPA

Auditor of State

Board of Directors
Interactive Media and Construction, Inc.
856 W. Cook Road
Mansfield, Ohio 44907

We have reviewed the *Independent Auditor's Report* of the Interactive Media and Construction, Inc., Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 6, 2010

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INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Directors
Interactive Media and Construction, Inc.
856 W. Cook Road
Mansfield, Ohio 44907

We have audited the accompanying financial statements of Interactive Media and Construction, Inc., Richland County, Ohio (a component unit of Mansfield City School District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the Interactive Media and Construction's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Interactive Media and Construction'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Interactive Media and Construction, Inc., Richland County, Ohio, as of June 30, 2010, and the respective changes in financial position and its cash flows, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of the Government'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.

The management's 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.

Julian & Grube, Inc.
October 29, 2010

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The management's discussion and analysis of the Interactive Media and Construction, Inc. ("IMAC") financial performance provides an overall review of IMAC's financial activities for the fiscal year 2010. The intent of this discussion and analysis is to look at IMAC's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of IMAC's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets were \$658,029 at June 30, 2010.
- IMAC had operating revenues of \$509,258 operating expenses of \$469,788 and non-operating revenues of \$146,915 for fiscal year 2010. Total change in net assets for the period was an increase of \$186,385.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand IMAC's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of IMAC, including all short-term and long-term financial resources and obligations.

Reporting IMAC's Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report IMAC's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for IMAC as a whole, the *financial position* of IMAC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 6 and 7 of this report.

The statement of cash flows provides information about how IMAC finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 8 of this report.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The table below provides a summary of IMAC's net assets at June 30, 2010 and June 30, 2009.

	Net Assets	
	2010	2009
<u>Assets</u>		
Current assets	\$ 636,793	\$ 541,015
Capital assets, net	22,471	25,693
Total assets	659,264	566,708
<u>Liabilities</u>		
Current liabilities	1,235	95,064
Total liabilities	1,235	95,064
<u>Net Assets</u>		
Invested in capital assets	22,471	25,693
Restricted	21,964	600
Unrestricted	613,594	445,351
Total net assets	\$ 658,029	\$ 471,644

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, IMAC's net assets totaled \$658,029.

A portion of IMAC's net assets, \$21,964 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets of \$613,594 may be used to meet IMAC's ongoing obligation to the students and creditors.

At year-end, capital assets represented 3.41% of total assets. Capital assets consisted of equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

Total liabilities decreased by \$93,829, primarily due to a large accounts payable in fiscal year 2009. Current assets increased due to an increase in intergovernmental receivables, due to the timing of Federal grant receipts, additionally there was an increase in the cash and cash equivalents of \$75,979.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
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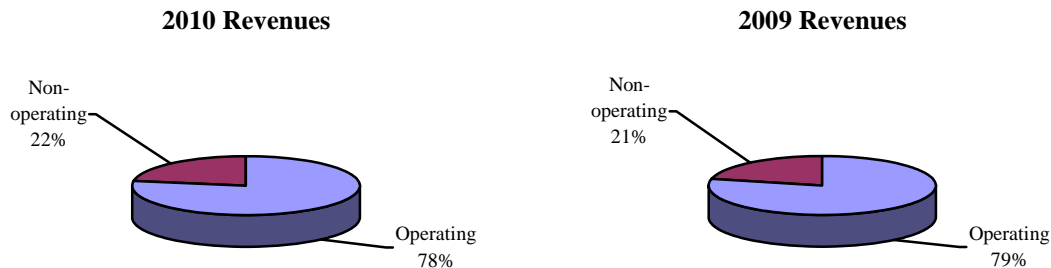
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The table below shows the changes in net assets for fiscal years 2010 and 2009.

	Change in Net Assets	
	<u>2010</u>	<u>2009</u>
<u>Operating Revenues:</u>		
State foundation	\$ 509,258	\$ 566,307
Total operating revenue	<u>509,258</u>	<u>566,307</u>
<u>Operating Expenses:</u>		
Purchased services	450,571	546,348
Materials and supplies	13,079	142,525
Depreciation	3,222	3,222
Other	<u>2,916</u>	<u>9,615</u>
Total operating expenses	<u>469,788</u>	<u>701,710</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	145,051	147,508
Interest income	<u>1,864</u>	<u>5,889</u>
Total non-operating revenues	<u>146,915</u>	<u>153,397</u>
Change in net assets	186,385	17,994
Net assets at beginning of year	<u>471,644</u>	<u>453,650</u>
Net assets at end of year	<u>\$ 658,029</u>	<u>\$ 471,644</u>

The overall increase in net assets can mainly be attributed to the decreased cost of purchased services and materials and supplies expenses.

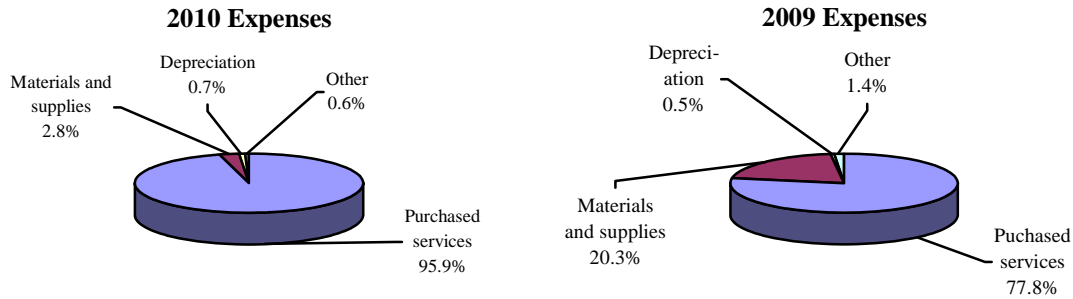
The charts below illustrate the revenues for IMAC for fiscal years 2010 and 2009.



INTERACTIVE MEDIA AND CONSTRUCTION, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The charts below illustrate the expenses for IMAC for fiscal years 2010 and 2009.



Capital Assets

At June 30, 2010, IMAC had \$22,471 invested in equipment. See Note 5 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

IMAC has entered into a service contract with its Sponsor, Mansfield City School District. In agreement with this contract, IMAC shall utilize certain resources converted to IMAC's use by the Sponsor, including, but not limited to, portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum, and educational strategy, as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion.

In order to continually provide learning opportunities to IMAC's students, IMAC will apply resources to best meet the needs of its students. It is the intent of IMAC to apply for State and Federal funds that are made available to finance its operations.

Contacting the Digital IMAC's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of IMAC's finances and to show IMAC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Interactive Media and Construction, Inc., 856 West Cook Road Mansfield, Ohio 44907 or email mans_treas@ncocc-k12.org.

**BASIC
FINANCIAL STATEMENTS**

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 607,918
Receivables:	
Intergovernmental.	26,438
Prepayments	<u>2,437</u>
Total current assets	<u>636,793</u>
Non-current assets:	
Depreciable capital assets, net	<u>22,471</u>
Total assets.	<u>659,264</u>
 Liabilities:	
Current liabilities:	
Accounts payable.	<u>1,235</u>
Total liabilities	<u>1,235</u>
 Net assets:	
Invested in capital assets.	22,471
Restricted for Federally funded programs. . .	21,964
Unrestricted.	<u>613,594</u>
Total net assets	<u>\$ 658,029</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating revenues:	
State foundation	\$ 509,258
Total operating revenues	<u>509,258</u>
Operating expenses:	
Purchased services.	450,571
Materials and supplies	13,079
Depreciation	3,222
Other.	2,916
Total operating expenses.	<u>469,788</u>
Operating income.	<u>39,470</u>
Non-operating revenues:	
Federal and State grants.	145,051
Interest income	1,864
Total non-operating revenues.	<u>146,915</u>
Change in net assets.	186,385
Net assets at beginning of year	<u>471,644</u>
Net assets at end of year.	<u><u>\$ 658,029</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from State foundation	\$ 509,258
Cash payments to suppliers for goods and services. . .	(448,121)
Cash payments for materials and supplies	(106,954)
Cash payments for other expenses	(5,353)
	(51,170)
Net cash used in operating activities	(51,170)
Cash flows from noncapital financing activities:	
Federal and State grants.	125,285
	125,285
Net cash provided by noncapital financing activities.	125,285
Cash flows from investing activities:	
Interest received	1,864
	1,864
Net cash provided by investing activities	1,864
Net increase in cash and cash cash equivalents	75,979
Cash and cash equivalents at beginning of year . . .	531,939
Cash and cash equivalents at end of year	\$ 607,918
	\$ 607,918
Reconciliation of operating income to net cash used in operating activities:	
Operating income.	\$ 39,470
Adjustments:	
Depreciation	3,222
Changes in assets and liabilities:	
(Increase) in prepayments	(33)
(Decrease) in accounts payable.	(93,365)
(Decrease) in intergovernmental payable	(464)
	(96,662)
Net cash used in operating activities.	\$ (51,170)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - DESCRIPTION OF THE IMAC

The Interactive Media and Construction, Inc. ("IMAC") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of students who have met some graduation requirements but have failed to successfully complete all requirements necessary for the attainment of the high school diploma or graduation equivalence diploma. IMAC is nonsectarian in its programs, admission policies, employment practices and all other operations. IMAC may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of IMAC. IMAC is considered a component unit of the Mansfield City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

IMAC is an innovative initiative that will be a cooperative effort with Mansfield City School District (the "Sponsor"). It is a conversion community school sponsored by the Mansfield City School District. IMAC will provide educational opportunities for students to obtain their high school diploma through college preparatory curriculum. IMAC will better serve the population by providing a challenging curriculum, community/parental support, motivation through career skills and pay for work. Enrollment is open to students within the attendance area of the Mansfield City School District and all bordering school districts. IMAC gives first choice to educationally disadvantaged, special education and economically at risk youth.

IMAC was approved for sponsorship under contract resolution on April 11, 2005, with the Sponsor for a period of five years commencing on the first day of the 2005-2006 academic year. The Sponsor has designated three of its administrative officers to represent the Sponsor in the occupants' official capacities as members of IMAC's Board of Directors. The individuals who hold such office with the Sponsor shall be formally instructed by the Sponsor that, as directors of IMAC, they are to represent the Sponsor and its interests. From time to time in its discretion, the Sponsor may substitute other administrative positions for those previously designated for this purpose.

Pursuant to the Sponsor's authority under section 3314.08(G) of the Ohio Revised Code to provide IMAC with services, the Sponsor shall be the fiscal agent of IMAC and shall direct the Sponsor's treasurer to serve as IMAC's fiscal officer. The Sponsor shall evaluate the performance of IMAC according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. Upon dissolution of IMAC, any assets remaining shall be conveyed to the Sponsor.

The service contract for the fiscal year 2010 between IMAC and the Sponsor was also approved. In agreement with the contract, IMAC shall utilize certain resources converted to IMAC's use by the Sponsor, including, but not limited to, portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, in the Sponsor's sole discretion. The price for services rendered by the Sponsor to IMAC is established as the Sponsor's "cost of providing such services including, without limitation, employee salaries and fringe benefits, equipment costs if any, and administrative overhead". All personnel providing services to IMAC on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of IMAC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. IMAC also applied Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. IMAC had the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. IMAC elected not to apply these FASB Statements and Interpretations. IMAC's significant accounting policies are described below.

A. Basis of Presentation

IMAC's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Enterprise 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 statements of revenues, expenses and 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 IMAC's finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. IMAC's basic 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 upon the accrual basis when the exchange takes place.

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. Expenses are recognized at the time they are incurred.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 Section 5705, unless specifically provided in IMAC's contract with its Sponsor. The contract between IMAC and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

E. Cash

Cash held by IMAC is reflected as "cash and cash equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2010, investments were limited to a repurchase agreement. Investments were reported at fair value which is based on quoted market prices.

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. IMAC maintains a capitalization threshold of \$500. IMAC does not have any infrastructure. 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.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated between five and twenty years.

G. Prepayments

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for Federally funded programs.

IMAC first applies restricted resources first when an expense is incurred for which both restricted and unrestricted net assets are available.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For IMAC, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of IMAC. All revenues and expenses not meeting this definition are reported as non-operating.

J. Intergovernmental Revenue

IMAC currently participates in the State Foundation Program through the Ohio Department of Education, the American Recovery and Reinvestment Act (ARRA) grants, the Federal IDEA Part B grant, the Federal Title I-Targeted Assistance grant, the Improving Teacher Quality grant, the Federal Title IV-A Drug Free Schools grant and the Title II-D Technology grant. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 IMAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to IMAC on a reimbursement basis. Federal and State grant revenue for the fiscal year 2010 was \$145,051.

K. Estimates

The preparation of basic 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 those estimates.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2010, the IMAC has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the IMAC.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the IMAC.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the IMAC.

NOTE 4 - DEPOSITS

A. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all IMAC deposits was \$(8,228). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into an overnight repurchase agreement which is reported as “investments”. IMAC had a zero bank balance at June 30, 2010.

B. Investments

As of June 30, 2010, the IMAC had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase agreement	\$ 616,146	\$ 616,146

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the IMAC’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The federal agency securities underlying the repurchase agreement were rated AAA by Standard and Poor’s and Aaa by Moody’s. The IMAC has no investment policy dealing with credit risk beyond the requirements of State statute.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the IMAC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the IMAC's \$616,146 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the IMAC. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The IMAC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The IMAC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the IMAC at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 616,146	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (8,228)
Investments	616,146
Total	<u>\$ 607,918</u>
 <u>Cash and investments per statement of net assets</u>	
Business-type activities	<u>\$ 607,918</u>

NOTE 5 - CAPITAL ASSETS

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Capital assets, being depreciated:				
Equipment	\$ 33,302	\$ -	\$ -	\$ 33,302
Less: accumulated depreciation	<u>(7,609)</u>	<u>(3,222)</u>	<u>-</u>	<u>(10,831)</u>
Capital assets	<u>\$ 25,693</u>	<u>\$ (3,222)</u>	<u>\$ -</u>	<u>\$ 22,471</u>

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - RECEIVABLES

IMAC had the following intergovernmental receivables at June 30, 2010:

IDEA Part B	\$ 553
Title II-D	227
Title I	23,405
Title IV-A	365
Title II-A	<u>1,888</u>
Total	<u>\$ 26,438</u>

The intergovernmental receivables are expected to be collected in the subsequent year.

NOTE 7 - PURCHASED SERVICES

For the period ended June 30, 2010, purchased services expenses were as follows:

Professional and technical services	\$ 305,341
Property rental	32,400
Travel and meetings	5,557
Pupil transportation	1,350
Contracted services	5,086
Other	<u>100,837</u>
Total	<u>\$ 450,571</u>

NOTE 8 - RISK MANAGEMENT

IMAC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2010, IMAC maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. IMAC provides \$25,000 in bond coverage for the Treasurer through RLI Surety.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior fiscal year.

NOTE 9 - CONTINGENCIES

A. Grants

IMAC received financial assistance from federal and State agencies in the form of grants. The expenditure 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of IMAC at June 30, 2010.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
(A Component Unit of Mansfield City School District)
RICHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - CONTINGENCIES - (Continued)

B. Litigation

IMAC is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. State Foundation Funding

The Ohio Department of Education 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. As a result of the review after fiscal year end, the IMAC owed the Ohio Department of Education \$2,895.

NOTE 10 - SERVICE AGREEMENT

IMAC has contracted with the Sponsor through the 2011 school year. All services are to be provided on a purchased service or reimbursement basis. IMAC paid \$360,398 to the Sponsor for educational, fiscal and administrative services during fiscal year 2010.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Directors
Interactive Media and Construction, Inc.
856 W. Cook Road
Mansfield, Ohio 44907

We have audited the financial statements of Interactive Media and Construction, Inc., Richland County, Ohio (a component unit of Mansfield City School District) as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 29, 2010. 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 Interactive Media and Construction, Inc.'s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Interactive Media and Construction, Inc.'s internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Interactive Media and Construction Inc.'s financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Interactive Media and Construction, Inc.'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Board of Directors
Interactive Media and Construction, Inc.

We intend this report solely for the information and use of management and Board of Directors of Interactive Media and Construction, Inc., the Community School's sponsor, and others within Interactive Media and Construction, Inc. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 29, 2010



Mary Taylor, CPA
Auditor of State

INTERACTIVE MEDIA AND CONSTRUCTION, INC.

RICHLAND 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 21, 2010**