

INTERACTIVE MEDIA AND CONSTRUCTION, INC.

RICHLAND COUNTY, OHIO

**BASIC
FINANCIAL STATEMENTS**

*FOR THE PERIOD AUGUST 30, 2005
THROUGH JUNE 30, 2006*



Mary Taylor, CPA

Auditor of State

Board of Directors
Interactive Media and Construction, Inc.
53 West Fourth Street
Mansfield, Ohio 44902

We have reviewed the *Independent Auditor's Report* of the Interactive Media and Construction, Inc., Richland County, prepared by Julian and Grube, Inc., for the audit period August 30, 2005 through June 30, 2006. 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.

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

Mary Taylor, CPA
Auditor of State

April 25, 2007

This Page is Intentionally Left Blank.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 30, 2005
THROUGH JUNE 30, 2006

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements	
Statement of Net Assets.....	7
Statement of Revenues, Expenses and Changes in Net Assets.....	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements.....	10 - 15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16 - 17

This Page is Intentionally Left Blank.



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.
53 West Fourth Street
Mansfield, Ohio 44902

We have audited the accompanying financial statements of Interactive Media and Construction, Inc. (the "Academy"), Richland County, Ohio, a component unit of Mansfield City School District, as of and for the period August 30, 2005 through June 30, 2006, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Interactive Media and Construction, Inc. as of June 30, 2006, and the changes in financial position and its cash flows for the period 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 January 27, 2007, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Interactive Media and Construction, Inc.
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Julian & Grube, Inc.
January 27, 2007

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006**

The management's discussion and analysis of the Interactive Media and Construction, Inc. (the "Academy") financial performance provides an overall review of the Academy's financial activities for the period August 30, 2005 through June 30, 2006. The intent of this discussion and analysis is to look at the Academy'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 the Academy's financial performance.

The Management's Discussion and Analysis (the "MD&A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments". Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of financial reporting for the Academy comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets were \$127,268 at June 30, 2006.
- The Academy had operating revenues of \$797,222, operating expenses of \$825,870 and non-operating revenues of \$155,916 for the period August 30, 2005 through June 30, 2006. Total change in net assets for the period was an increase of \$127,268.

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 the Academy's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy'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 asks the question, "How did we do financially during 2006?" 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 the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy 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 7 and 8 of this report.

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The table below provides a summary of the Academy's net assets for the period August 30, 2005 through June 30, 2006. This is the Academy's first year of operation, comparative information is not available.

Net Assets

	<u>2006</u>
<u>Assets</u>	
Current assets	\$ 123,655
Capital assets, net	<u>17,830</u>
Total assets	<u>141,485</u>
<u>Liabilities</u>	
Current liabilities	<u>14,217</u>
Total liabilities	<u>14,217</u>
<u>Net Assets</u>	
Invested in capital assets	17,830
Unrestricted	<u>109,438</u>
Total net assets	<u>\$ 127,268</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the Academy's net assets totaled \$127,268.

The unrestricted net assets of \$109,438 may be used to meet the Academy's ongoing obligation to the students and creditors.

At year-end, capital assets represented 12.60% 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.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

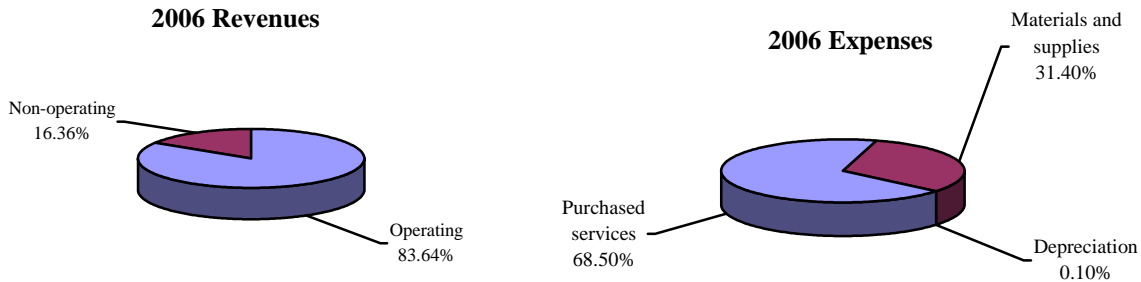
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006**

The table below shows the changes in net assets for the period August 30, 2005 through June 30, 2006. This is the Academy's first year of operation, comparative information is not available.

Change in Net Assets

	2006
<u>Operating Revenues:</u>	
State foundation	\$ 797,222
Total operating revenue	797,222
<u>Operating Expenses:</u>	
Purchased services	565,674
Materials and supplies	259,331
Depreciation	865
Total operating expenses	825,870
<u>Non-operating Revenues:</u>	
Federal and State grants	153,000
Interest income	2,916
Total non-operating revenues	155,916
Change in net assets	127,268
Net assets at beginning of period	-
Net assets at end of period	\$ 127,268

The charts below illustrate the revenues and expenses for the Academy for the period August 30, 2005 through June 30, 2006.



Capital Assets

At June 30, 2006, the Academy had \$17,830 invested in equipment. See Note 4 to the basic financial statements for more detail on capital assets.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006**

Current Financial Related Activities

The Academy has entered into a service contract for fiscal year 2006 with its Sponsor, Mansfield City School District. In agreement with this contract, the Academy shall utilize certain resources converted to the Academy'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 the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for State and Federal funds that are made available to finance its operations.

Contacting the Digital Academy's Financial Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the Academy's finances and to show the Academy'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., 53 West Fourth Street, Mansfield, Ohio 44902 or email mans_treas@ncocc-k12.org.

**BASIC
FINANCIAL STATEMENTS**

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2006

Assets:	
Current assets:	
Cash and cash equivalents	\$ 123,655
Non-current assets:	
Capital assets, net	<u>17,830</u>
Total assets	<u>141,485</u>
Liabilities:	
Accounts payable	<u>14,217</u>
Total liabilities	<u>14,217</u>
Net Assets:	
Invested in capital assets	17,830
Unrestricted	<u>109,438</u>
Total net assets	<u><u>\$ 127,268</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006

Operating revenues:	
State foundation	\$ 797,222
Total operating revenue	<u>797,222</u>
Operating expenses:	
Purchased services	565,674
Materials and supplies	259,331
Depreciation	<u>865</u>
Total operating expenses.	<u>825,870</u>
Operating loss	<u>(28,648)</u>
Non-operating revenues:	
Federal and state grants	153,000
Interest income	<u>2,916</u>
Total non-operating revenues	<u>155,916</u>
Change in net assets	127,268
Net assets at beginning of period	<u>-</u>
Net assets at end of period	<u>\$ 127,268</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006

Cash flows from operating activities:	
Cash received from State foundation.	\$ 797,222
Cash payments to suppliers for goods and services . .	(551,457)
Cash payments for materials and supplies	(259,331)
	<hr/>
Net cash used in operating activities	(13,566)
	<hr/>
Cash flows from noncapital financing activities:	
Federal and state grants.	153,000
	<hr/>
Net cash provided by noncapital financing activities	153,000
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(18,695)
	<hr/>
Net cash used in capital and related financing activities	(18,695)
	<hr/>
Cash flows from investing activities:	
Interest received	2,916
	<hr/>
Net cash provided by investing activities	2,916
	<hr/>
Net increase in cash and cash equivalents	123,655
Cash and cash equivalents at beginning of period. . .	-
Cash and cash equivalents at end of period.	\$ 123,655
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (28,648)
Adjustments:	
Depreciation.	865
Changes in liabilities:	
Increase in accounts payable.	14,217
	<hr/>
Net cash used in operating activities	\$ (13,566)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Interactive Media and Construction, Inc. (the "Academy") 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. The Academy is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy 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. The Academy will provide educational opportunities for students to obtain their high school diploma through college preparatory curriculum. The Academy 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. The Academy gives first choice to educationally disadvantaged, special education, and economically at risk youth.

The Academy 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 the Academy's Board of Directors. The individuals who hold such office with the Sponsor shall be formally instructed by the Sponsor that, as directors of the Academy, 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 the Academy with services, the Sponsor shall be the fiscal agent of the Academy and shall direct the Sponsor's treasurer to serve as the Academy's fiscal officer. The Sponsor shall evaluate the performance of the Academy 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 the Academy, any assets remaining shall be conveyed to the Sponsor.

The service contract for the fiscal year 2006 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy'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 the Academy 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 the Academy 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.
RICHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy 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. The Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy'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 the Academy'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. The Academy'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.

Non-exchange transactions, in which the Academy 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 the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006**

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 the Academy's contract with its Sponsor. The contract between the Academy 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 the Academy 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. For the period August 30, 2005 through June 30, 2006, the Academy had no investments.

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. The Academy maintains a capitalization threshold of \$5,000. The Academy does not have any infrastructure.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Furniture is depreciated over seven to twenty years and computers are depreciated over five years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation through the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. The Academy did not have any restricted net assets at fiscal year end.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, 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 the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006

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

I. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which they are earned, essentially the same as the fiscal year.

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 the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the period August 30, 2005 through June 30, 2006 received by the Academy was \$153,000.

J. 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 - DEPOSITS

At June 30, 2006, the carrying amount of the Academy's deposits was \$123,655. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$24,320 of the Academy's bank balance of \$124,320 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

NOTE 4 - CAPITAL ASSETS

	Balance <u>08/30/05</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/06</u>
Capital assets, being depreciated:				
Equipment	\$ -	\$ 18,695	\$ -	\$ 18,695
Less: accumulated depreciation	<u>-</u>	<u>(865)</u>	<u>-</u>	<u>(865)</u>
Capital assets	<u>\$ -</u>	<u>\$ 17,830</u>	<u>\$ -</u>	<u>\$ 17,830</u>

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006**

NOTE 5 - PURCHASED SERVICES

For the period ended June 30, 2006, purchased services expenses were as follows:

Professional and technical services	\$ 367,638
Property rental	60,007
Instructional services	137,708
Travel and meetings	<u>321</u>
Total	<u>\$ 565,674</u>

NOTE 6 - RISK MANAGEMENT

The Academy 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 the period August 30, 2005 through June 30, 2006, the Academy maintained comprehensive insurance coverage with a private carrier for property and general liability insurance. The Academy provides employee bond coverage through Ohio Casualty Insurance in the following amounts: Treasurer \$50,000 and Board of Directors \$20,000.

NOTE 7 - CONTINGENCIES

A. Grants

The Academy 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 the Academy at June 30, 2006.

B. Litigation

A suit was filed in the U.S. District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Academy is not presently determinable.

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.

**INTERACTIVE MEDIA AND CONSTRUCTION, INC.
RICHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 30, 2005 THROUGH JUNE 30, 2006**

NOTE 8 - SERVICE AGREEMENT

The Academy is contracting with the Sponsor to manage its operations for school years 2006 through 2011. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$746,727 to the Sponsor for educational services during 2006.

NOTE 9 - RELATED PARTY

On April 11, 2005, three administrative employees of Mansfield City School District were appointed to the Board of Directors of the Academy. The Academy is a general population community school sponsored by the Mansfield City School District. At the June 30, 2006 school year, the Academy had an enrollment of 80 students.

NOTE 10 - START-UP PERIOD

The Academy began its operations on August 30, 2005

NOTE 11 – SUBSEQUENT EVENT

Effective January 2, 2007, Bart Griffith resigned as Treasurer of Interactive Media & Construction, Inc.



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.
53 West Fourth Street
Mansfield, Ohio 44902

We have audited the financial statements of the Interactive Media and Construction, Inc. (the "Academy"), Richland County, Ohio, a component unit of the Mansfield City School District, as of and for the period August 30, 2005 through June 30, 2006, and have issued our report thereon dated January 27, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Interactive Media and Construction, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter that we have reported to the management of the Academy in a separate letter dated January 27, 2007.

Board of Directors
Interactive Media and Construction, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interactive Media and Construction, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Julian & Grube, Inc.
January 27, 2007



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
MAY 10, 2007**