



**Auditor of State
Betty Montgomery**

**VISION INTO ACTION ACADEMY
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Vision Into Action Academy
Franklin County
33 N. High Street, Suite 400
Columbus, Ohio 43215

To the Board of Directors:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 financial position of Vision Into Action Academy, Franklin County, Ohio, as of June 30, 2005, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2006, 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's Discussion & Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 14, 2006

VISION INTO ACTION ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Unaudited)

The discussion and analysis of Vision Into Action Academy's (the School) financial performance provides an overall review of the 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, however, since this is the first year of operation for the School, there is no comparison data available for fiscal year 2005. This information will be added in future years.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- Total net assets at year end were \$7,496. The 2004-2005 school year was the first year the school provided instructional services to students and therefore, fiscal year 2005 was the first year the school received revenues from state foundation program as well as from various state and federal educational grants.
- The total assets of the School consisted of cash on hand as well as several state and federal grants receivable and capital assets.
- The majority of the liabilities reported at year end are attributable to accounts payables and personnel related costs that were earned prior to the end of the fiscal year, but were not paid until after. Accounts payable were significant due to this being the first year of operation for the School and the need for supplies, textbooks and materials was significant. Payroll and benefits are provided year around based on the employees service during the school year. The School will receive state foundation revenue during the summer months to meet these obligations as they become due.

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

VISION INTO ACTION ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Unaudited)

Statement of Net Assets

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

This statement reports the School's net assets, however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for fiscal year 2005. Since this is the first year of operation for the School, comparisons with the prior year are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

Table 1
Net Assets

| | 2005 |
|---|-----------|
| Assets: | |
| Current and other assets | \$ 63,223 |
| Capital assets, net of accumulated depreciation | 91,704 |
| Total Assets | 154,927 |
| Liabilities: | |
| Current liabilities | 147,431 |
| Net Assets: | |
| Invested in capital assets | 91,704 |
| Restricted | 52,934 |
| Unrestricted | (137,142) |
| Total Net Assets | \$ 7,496 |

At June 30, 2005 the School reported net assets of \$7,496. In addition to the \$20,197 of cash on hand at the end of the year, the School recognized \$43,026 of intergovernmental grants as receivables and \$91,704 of net capital assets. The School's liabilities are accounts payable and liabilities associated personnel costs earned prior to the end of the school year but are not paid until after. Accounts payable were significant due to this being the first year of operation for the School and the need for supplies, textbooks and materials was significant. State foundation revenue is paid to the School monthly therefore revenues will be available when these liabilities come due. Fiscal year 2006 will be the first full year the School will receive foundation payments each month, which should improve its financial position.

VISION INTO ACTION ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, as well as revenues and expenses. Since this is the first year the School has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2004 are not available. In future years, when prior-year information is available, a comparative analysis of data will be presented.

Table 2
Changes in Net Assets

| | 2005 |
|-------------------------------|------------|
| Operating Revenues: | |
| Foundation payments | \$ 642,591 |
| Other operating revenues | 11,647 |
| Non Operating Revenues: | |
| State and federal grants | 188,046 |
| Local grants | 1,250 |
| Capital contributions | 2,500 |
| Total Revenues | 846,034 |
| Operating Expenses: | |
| Salaries | 324,195 |
| Fringe benefits | 70,671 |
| Purchased services | 370,852 |
| Materials and supplies | 21,524 |
| Other expenses | 10,493 |
| Interest and fiscal charges | 9,448 |
| Depreciation | 31,355 |
| Total Expenses | 838,538 |
| Increase in net assets | 7,496 |
| Net assets, beginning of year | - |
| Net assets, end of year | \$ 7,496 |

The School incurred significant start-up costs for the school during fiscal year 2005. Since the State Foundation Program is based on the number of students enrolled in the School, the primary revenue source for the School did not start to be received until January of 2005. In the upcoming year, the School will receive Foundation payments for twelve months instead of six. These additional cash inflows, along with reduction in the amount of expenditures needed for start-up costs, should permit the School to achieve a level of financial stability during the upcoming fiscal year. Additionally, while the School capitalized \$123,059 of capital costs associated with the purchase of computer equipment and other capital assets during the fiscal year, the recognition of current year depreciation on those assets resulted in \$31,355 of additional expense for the year.

VISION INTO ACTION ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Unaudited)

Capital Assets

The School maintains a capitalization threshold of \$100. As of June 30, 2005 the School had capitalized \$123,059 of equipment and furniture, primarily computer and related equipment, less accumulated depreciation of \$31,355 resulting in \$91,704 of capital assets, net of accumulated depreciation. During the fiscal year the School received \$2,500 of donated equipment and furniture.

See Note 5 to the basic financial statements for additional details on the School's Capital Assets.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Vision into Action Academy and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to:

Vision into Action Academy
Attn: Treasurer
30 North High Street, Suite 400
Columbus, Ohio 43215
(614) 324-1492

VISION INTO ACTION ACADEMY

Statement of Net Assets

June 30, 2005

Assets

Current assets:

Cash and cash equivalents \$ 20,197

Receivables:

Grants 43,026

Total current assets 63,223

Noncurrent assets:

Capital assets, net of accumulated depreciation 91,704

Total noncurrent assets 91,704

Total assets 154,927

Liabilities

Current liabilities:

Accounts payable 59,211

Accrued wages and benefits payable 46,954

Intergovernmental payable 29,469

Compensated absences payable 11,797

Total liabilities 147,431

Net assets

Invested in capital assets 91,704

Restricted 52,934

Unrestricted (137,142)

Total net assets \$ 7,496

See accompanying notes to the financial statements.

VISION INTO ACTION ACADEMY
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2005

| | |
|---|------------------------|
| <u>Operating revenues:</u> | |
| Foundation payments | \$ 642,591 |
| Miscellaneous operating revenue | <u>11,647</u> |
| Total operating revenues | <u>654,238</u> |
| <u>Operating expenses:</u> | |
| Salaries | 324,195 |
| Fringe benefits | 70,671 |
| Purchased services | 370,852 |
| Materials and supplies | 21,524 |
| Depreciation | 31,355 |
| Other | <u>10,493</u> |
| Total operating expenses | <u>829,090</u> |
| Operating loss | <u>(174,852)</u> |
| <u>Non-operating revenues and (expenses):</u> | |
| State and federal grant revenue | 188,046 |
| Local grant revenue | 1,250 |
| Capital contributions | 2,500 |
| Interest and Fiscal Charges | <u>(9,448)</u> |
| Total non-operating revenues | <u>182,348</u> |
| Change in net assets | 7,496 |
| Net assets at beginning of year | <u>-</u> |
| Net assets at end of year | \$ <u><u>7,496</u></u> |

See accompanying notes to the basic financial statements.

VISION INTO ACTION COMMUNITY SCHOOL, INC.

Statement of Cash Flows
Year Ended June 30, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:

| | |
|--|---------------|
| Cash from State of Ohio | \$ 677,573 |
| Cash payments to suppliers for goods and services | (368,208) |
| Cash payments to employees for services and benefits | (306,646) |
| Other operating expenses | (10,432) |
| Other operating revenue | <u>11,647</u> |
| Net cash provided by operating activities | <u>3,934</u> |

Cash flows from noncapital financing activities:

| | |
|--|----------------|
| Federal and state subsidies | 145,020 |
| Local grants and contributions | 1,250 |
| Proceeds from sale of debt | 165,500 |
| Principal paid on debt | (165,500) |
| Interest and fiscal charges | <u>(9,448)</u> |
| Net cash provided by noncapital financing activities | <u>136,822</u> |

Cash flows from capital and related financing activities:

| | |
|--|------------------|
| Acquisition of capital assets | <u>(120,559)</u> |
| Net cash used for capital and related financing activities | <u>(120,559)</u> |

| | |
|--|------------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 20,197 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>-</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 20,197</u> |

**Reconciliation of operating loss to net cash provided
by operating activities**

| | |
|--|-----------------|
| Operating loss | \$ (174,852) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 31,355 |
| Changes in assets and liabilities: | |
| Increase in accounts payable | 59,211 |
| Increase in accrued wages payable | 46,954 |
| Increase in intergovernmental payable | 29,469 |
| Increase in compensated absences payable | <u>11,797</u> |
| Total Adjustments | <u>178,786</u> |
| Net cash provided by operating activities | <u>\$ 3,934</u> |

Non-Cash Capital Activity:

During the fiscal year, the Academy accepted \$2,500 of capital asset donations

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VISION INTO ACTION ACADEMY

Notes to the Basic Financial Statements

June 30, 2005

1. Description of the School and Reporting Entity:

Vision into Action Academy (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with the Lucas County Educational Services Center (Sponsor) for a period of one year commencing with fiscal year June 22, 2005 through June 30, 2006. Thereafter, the contract is extended for additional one-year terms from July 1 to June 30 unless either party notified the other in writing at least ninety days prior to June 30 that it does not wish to renew the contract.

Although the School is required to operate under a five-member Board, only four members were in place during the fiscal year. The School's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility staffed by one principal and twelve full-time and part-time personnel who provide services to approximately 161 students.

2. Summary of Significant Accounting Policies:

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

The more significant of the School's accounting policies are described below.

A. Basis of presentation

Enterprise accounting is used to account for operations that are financed and operated in manner similar to private business enterprises and focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement focus and basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement

VISION INTO ACTION ACADEMY

Notes to the Basic Financial Statements

June 30, 2005

of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and cash equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash.

E. Estimates

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

F. Capital assets and depreciation

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 value as of the date received. The School maintains a capitalization threshold of \$100. The School 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 the asset's life are expensed.

Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of three to fifteen years. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

G. Intergovernmental revenues

The School currently participates in the State Foundation Program. These funds are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year.

Federal, state, and local grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

VISION INTO ACTION ACADEMY

Notes to the Basic Financial Statements

June 30, 2005

H. Accrued liabilities payable

The School has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2005, including:

Wages and benefits payable – a liability has been recognized at June 30, 2005 for salary payments and related Board paid insurance benefits made after year-end that were for services rendered in fiscal year 2005.

Intergovernmental payable – payment for the employer's share of the retirement contribution (\$28,456), workers' compensation (\$354), and Medicaid (\$659) associated with services rendered during fiscal year 2005, but were not paid until the subsequent fiscal year.

Compensated Absences – a liability has been recognized at June 30, 2005 for any leave sick or personal leave balances in which the employee has accrued at year-end but has not used. Employees earn 15 days of sick leave and 3 days of personal leave annually. If the employee resigns their position at the School, they do not receive payment for their remaining leave balances. However, if the employee retires, their leave balances are paid out along with their final paycheck. Due to the potential to pay leave balance out, the School wishes to accrue a liability for all leave balances of full-time employees at year-end.

I. Federal tax exemption status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

J. Net asset

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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Cash Deposits:

At June 30, 2005, the carrying amount of the School's deposits was \$20,197 and the bank balance was \$25,246. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure", as of June 30, 2005, none of the bank balance was exposed to custodial risk as discussed below, while all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 the 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 School.

VISION INTO ACTION ACADEMY
Notes to the Basic Financial Statements
June 30, 2005

4. Intergovernmental Receivables:

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the School at June 30, 2005 consisted of the following federal grants in which all grant requirements had been satisfied, Title I (\$37,771), Title V (\$64), Title II-A (\$1,504), Title II-D (\$1,004) and School Nutrition Program (\$2,683).

5. Capital Assets:

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

| | Balance at 6/30/2004 | Additions | Reductions | Balance at 6/30/2005 |
|---------------------------------|-------------------------|------------|------------|-------------------------|
| Capital Assets: | | | | |
| Furniture and Equipment | \$ - | \$ 123,059 | \$ - | \$ 123,059 |
| Less: Accumulated Depreciation: | | | | |
| Furniture and Equipment | - | (31,355) | - | (31,355) |
| Capital Assets, Net | \$ - | \$ 91,704 | \$ - | \$ 91,704 |

6. Risk Management:

Property and liability – The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School contracted with the Philadelphia Insurance Group for business personal property, director and officer liability and general liability insurance with a combined \$3,010,000 coverage limit.

Settled claims have not exceeded the School’s coverage since the School has been established in 2004.

Employee insurance benefits – The School utilizes Genworth, and VSP to provide dental, life, accidental death and dismemberment insurance benefits to School employees.

7. 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 State Statute 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.

VISION INTO ACTION ACADEMY

Notes to the Basic Financial Statements

June 30, 2005

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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 a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2005 were \$3,400; 100 percent has been contributed for fiscal years 2005.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member.

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

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School 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 recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307

VISION INTO ACTION ACADEMY
Notes to the Basic Financial Statements
June 30, 2005

of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations for the fiscal year ended June 30, 2005 were \$31,335; 40 percent has been contributed for fiscal years 2005.

8. Postemployment Benefits

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B Coverage. Pursuant to the Ohio Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For fiscal year ended June 30, 2004 (the latest information available), the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.1 billion on June 30, 2004. For the School, this amount equaled \$990 during the 2005 fiscal year.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

For SERS, the Ohio Revised Code gives the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on the years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels.

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, the allocation rate is 4.91 percent. 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 has been established at \$27,400. For the School, the amount to fund health care benefits, including the surcharge, was \$1,770 for fiscal year 2005.

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 at June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits of \$300.8 million. The number of benefit recipients currently receiving health care benefits is approximately 62,000.

VISION INTO ACTION ACADEMY

Notes to the Basic Financial Statements

June 30, 2005

9. Short Term Debt:

During fiscal year ended June 30, 2005 the School entered into a short term debt agreement with Fifth Third Bank for a line of credit. The School borrowed \$115,000 on the line of credit and repaid the principal plus interest and fiscal charges of \$119,615 before June 30, 2005.

In addition, the School borrowed \$50,500 from Board of Director and CEO, Jon Reinhard. Jon Reinhard loaned the School the money through three lines of credit on personal credit cards. The School repaid the principal plus interest and fiscal charges of \$55,517 to the three credit card companies before June 30, 2005.

10. Operating Lease:

In September of 2004, the School entered into an operating lease for one year with DownTown Tiano II, Ltd for the use of the School's facility. Lease payments made totaled \$83,207 for the fiscal year.

11. Restricted Net Assets:

At June 30, 2005 the School reported restricted net assets totaling \$52,934. The nature of the restrictions on these net assets are as follows:

| | |
|---|-----------------|
| State specific educational program grants | \$ 5,200 |
| Federal specific educational program grants | <u>47,734</u> |
| Total | <u>\$52,934</u> |

12. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and 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. A review conducted by the Ohio Department of Education reflected that the School owed Ohio Department of Education \$34,982 at June 30, 2005. This amount is included within accounts payable on the School's statement of net assets.

C. Litigation

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

VISION INTO ACTION ACADEMY

Notes to the Basic Financial Statements

June 30, 2005

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 of this suit, if any on the Vision into Action Academy is not presently determinable.

13. Other Purchased Services:

During the year ended June 30, 2005, other purchased service expenses for services rendered by various vendors were as follows:

| | |
|---------------------------------------|-------------------|
| Property services | \$ 125,043 |
| Professional and technical services | 33,461 |
| Contractual fiscal services | 54,500 |
| Travel and meeting expenses | 81,308 |
| Communication and networking services | 23,330 |
| Other purchased services | <u>53,210</u> |
| Total | <u>\$ 370,852</u> |

Mangen and Associates, LLC provided treasurer, financial management, CSADM/EMIS, and grant identification and application services for the School throughout the fiscal year. The amount paid for these fiscal services is stated above.

14. Related Party Transactions:

Jon Reinhard, Founder and CEO of the School, also served on the School's Board of Directors. Jon Reinhard also served as the agent of Vision into Action Academy, LLC, a for profit entity. During fiscal year 2005, the School paid Jon Reinhard \$6,868 and Vision into Action Academy, LLC \$42,104 for the CEO service contract and reimbursement of miscellaneous other expenses incurred by Jon Reinhard on behalf of the School.

In addition, during the year Jon Reinhard utilized three personal credit card accounts to draw down lines of credit and loan the proceeds from these lines of credit to the School. The total proceeds loaned by Jon Reinhard to the School were \$50,500. The School paid the balance and related interest and fiscal charges on these loans directly to the credit card companies during fiscal year 2005. The total amount of proceeds, interest and fiscal charges paid was \$55,517.

15. Significant Subsequent Events:

On September 9, 2005 the School entered into a revolving note agreement with Fifth Third Bank for \$75,000 with a maturity date of September 9, 2006.

On December 13, 2005 the Lucas County Educational Service Center Board of Education voted to not renew the School's sponsorship contract that will expire June 30, 2006. The School is actively seeking an alternative sponsor to enter into a contract with starting on July 1, 2007.



Auditor of State Betty Montgomery

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

Vision Into Action Academy
Franklin County
33 N. High Street, Suite 400
Columbus, Ohio 43215

To the Board of Directors:

We have audited the accompanying basic financial statements of the Vision Into Action Academy, Franklin County, Ohio (the School), as of and for the year ended June 30, 2005 and have issued our report thereon dated March 14, 2006. 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. 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated March 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-003. In a separate letter to the School's management dated March 14, 2006, we reported an other matter related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

March 14, 2006

**VISION INTO ACTION ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2005-001

Ohio Rev. Code Section 3314.03(A)(11)(d) requires a community school to comply with Sections 121.22 and 149.43 of the Ohio Revised Code.

Ohio Rev. Code Section 121.22(C) states in part that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section.

Additionally, **Ohio Rev. Code Section 149.43(B)(1)** states in part that subject to division (B)(4) of this section, all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours.

The School opened for students on October 14, 2004. However, the Board of Directors was not established until October 25, 2004 at which time the first Board meeting of the School was held. The following were significant issues that were not approved by the Board of Directors during October of 2004.

- Contracts were entered into with Mangen and Associates for treasurer, financial management, CSADM/EMIS and grant identification and application services.
- The Administrator Contract was entered into with Board of Director and CEO, Jon Reinhard.
- Service contract was entered into with iBeam Solutions, LLC for technology services.
- The lease agreement was entered into with DownTown Tiano II, Ltd. for the rental of school facilities.

In addition, the following issues were not approved or included in the minute record of the Board of Director's throughout fiscal year 2005.

- The School entered into a line of credit agreement with Fifth Third Bank.
- The School received three loans from Board of Director and CEO, Jon Reinhard.
- Service contract was entered into with Erik Davis for technology services.

We recommend that the Board of Directors approve all contracts, leases, and debt agreements through a formal resolution and the Board's approval should be documented in the minutes as the official public record of the Board.

Management's Response:

The Vision Into Action Academy Board confirmed their knowledge of all agreements listed above and ratified their approval by an unanimous positive vote during the regular Board meeting on April 7, 2006.

FINDING NUMBER 2005-002

Finding for Recovery Repaid Under Audit

Below is a summary of employment contracts dated October 19, 2004 and March 4, 2005 between Vision Into Action Academy and Sherry Carter and a January 10, 2005 Board approved health insurance waiver, including the total approved compensation to Sherry Carter for the year ended June 30, 2005. The amount paid to Sherry Carter exceeded the approved amount by \$850.

**VISION INTO ACTION ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005
(continued)**

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|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2005-002

Finding for Recovery Repaid Under Audit (continued)

| | |
|---|----------------|
| Contract dated October 19, 2004 | \$16,275 |
| Amended contract dated March 4, 2005 | 5,000 |
| Health insurance waiver payment | <u>1,000</u> |
| Total amount that should have been paid | \$22,275 |
| Total amount paid | <u>23,125</u> |
| Amount overpaid | <u>(\$850)</u> |

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Sherry Carter, Carol Jean Derr, Treasurer, and the Cincinnati Insurance Company, jointly and severally, in the amount of \$850, and in favor of Vision Into Action Academy.

However, on March 8, 2006, Vision Into Action Academy accepted a check in the amount of \$850 from Carol Jean Derr.

Management’s Response:

The fiscal year 2005 payroll for Sherry Carter was reconciled and systems have been established to ensure an extra review of all individual salary schedules prior to the close of the fiscal year.

FINDING NUMBER 2005-003

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 3314.02(E) states in part that each new start-up community school established under this chapter shall be under the direction of a governing authority which shall consist of a board of not less than five individuals who are not owners or employees, or immediate relatives of owners or employees, of any for-profit firm that operates or manages a school for the governing authority.

Additionally, **Ohio Rev. Code Section 3314.03(A)(11)(e)** states that the school shall comply with Chapter 102 of the Revised Code except that nothing in that chapter shall prohibit a member of the school's governing board from also being an employee of the school and nothing in that chapter or section 2921.42 of the Revised Code shall prohibit a member of the school's governing board from having an interest in a contract into which the governing board enters that is not a contract with a for-profit firm for the operation or management of a school under the auspices of the governing authority.

Ohio Rev. Code Section 102.03 (D) provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person’s duties.

**VISION INTO ACTION ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005
(continued)**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2005-003

Finding for Recovery Repaid Under Audit (continued)

Ohio Rev. Code Section 2921.42 (A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code Section 2921.42 (A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

Jon Reinhard is the owner and principal of Vision Into Action, LLC, a for-profit company. Jon Reinhard is also the founder of Vision Into Action Academy and he provided services for Vision Into Action Academy for the period of September 1, 2004 through June 30, 2005. During this time period, Mr. Reinhard was serving as a voting member and chairman of the School's Board of Directors. Here are additional facts to be considered:

- There was not an approved contract between Jon Reinhard and the School's Board of Directors during the period of September 1, 2004 through June 30, 2005. However, payments to Jon Reinhard and the Vision Into Action, LLC indicate that the services were provided as a contracted service rather than as an employee relationship.
- For the aforementioned time period, the School paid Jon Reinhard \$6,000 and Vision Into Action, LLC \$40,000 in the following manner:
 - 1/10/2005– Jon Reinhard \$1,000;
 - 2/16/2005 – Jon Reinhard \$5,000;
 - 3/10/2005 – VIA, LLC \$10,000;
 - 4/26/2005 – VIA, LLC 10,000;
 - 5/31/2005 – VIA, LLC \$10,000;
 - 6/21/2005 – VIA, LLC \$10,000.
- Both Jon Reinhard and Vision Into Action, LLC received separate 1099s.
- Jon Reinhard and Vision Into Action, LLC share the same federal tax identification number.
- Because the minutes do not document whether the Board of Directors approved a contract for CEO services with Jon Reinhard or management services with Vision Into Action, LLC, it cannot be determined whether or not Mr. Reinhard had, as a Board member, the authority to influence the nature and extent of the payments made to him and to Vision Into Action, LLC.

Based on all the facts above, the \$40,000 paid to the Vision Into Action, LLC violates those sections noted above.

Furthermore, because a written contract was never approved by the Board for CEO services, it cannot be determined whether Jon Reinhard, as a Board member, influenced transactions associated with payments made to VIA, LLC. As a result, the School's compliance with Ohio Rev. Code Sections 102.03(D), 2921.41(A)(1), and 2921.42(A)(4) can not be substantiated.

**VISION INTO ACTION ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005
(continued)**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|--|

FINDING NUMBER 2005-003

Finding for Recovery Repaid Under Audit (continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Vision Into Action, LLC, Carol Jean Derr, Vision Into Action Academy's Treasurer, and the Cincinnati Insurance Company, her bonding company, jointly and severally, in the amount of \$40,000 in favor of the Vision Into Action Academy.

On April 18, 2006, Vision Into Action Academy accepted a check in the amount of \$40,000 from Vision Into Action LLC.

This matter will be referred to the Ohio Ethics Commission.

Management's Response:

The Vision Into Action Board unanimously confirmed their intent to compensate Jon Reinhart instead of the Vision Into Action, LLC. The Vision Into Action, LLC repaid Vision Into Action Academy \$40,000 and the Vision Into Action Academy subsequently paid Jon Reinhart \$40,000 for his fiscal year 2005 administrative services.



**Auditor of State
Betty Montgomery**

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**VISION INTO ACTION ACADEMY
FRANKLIN 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 16, 2006**