



Mary Taylor, CPA
Auditor of State

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Accountants' Report | 1 |
| Management's Discussion & Analysis | 3 |
| 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 Financial Statements | 10 |
| Schedule of Federal Awards Expenditures | 18 |
| Notes to the Schedule of Federal Awards Expenditures..... | 19 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 21 |
| Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> | 23 |
| Schedule of Findings..... | 25 |

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Winterfield Venture Academy
c/o National Heritage Academies
3850 Broadmoor, SE Suite 201
Grand Rapids, Michigan 49512-3927

To the Governing Board:

We have audited the accompanying basic financial statements of Winterfield Venture Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2006, 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 did not audit the contract service fees incurred by the Academy which totaled \$4,262,317 as indicated in note 10. Other auditors audited these amounts and have furnished their report thereon to us and we based our opinion, insofar as it relates to the amounts included for note 10, on the report of the other auditors.

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 that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of Winterfield Venture Academy, Lucas County, as of June 30, 2006, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007, on our consideration of the Academy'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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, 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.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

June 29, 2007

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of Winterfield Venture Academy, Lucas County, Ohio (the Academy), financial performance provides an overall review of the Academy's financial activities 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 basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy'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 Government issued June, 1999.

Financial Highlights

For Fiscal year ended June 30, 2006, total assets were \$321,972, total liabilities were \$291,165 and total net assets were \$30,807.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenue, Expense and Changes in Net Assets, and a Statement of Cash Flows.

Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets – as reported in the Statement of Net Assets – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The Statement of Net Assets and the Statement of Activities report the activities for the Academy, which encompass all the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities. The Academy has entered into a management agreement with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the management agreement, NHA also provides the facility in which the Academy operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

Table 1 provides a summary of the Academy's net assets for fiscal years 2006 and 2005:

(Table 1)
Net Assets

| | 2006 | 2005 |
|--|------------------|------------------|
| Assets | | |
| Current Assets | \$ 321,972 | \$ 185,084 |
| Liabilities | | |
| Current Liabilities | \$ 291,165 | \$ 165,107 |
| Net Assets | | |
| <i>Total Net Assets - Unrestricted</i> | <u>\$ 30,807</u> | <u>\$ 19,977</u> |

The unrestricted net assets represent the accumulated results of the Academy's operations to date. These assets can be used to finance day to day operations without constraints, such as legislative or legal requirements. The results of the current year operations for the Academy as a whole are reported in the Statement of Revenues, Expenses and Changes in Net Assets, which shows the change in net assets. Net assets increased by \$10, 830 or 54.2% in 2006, this increase was due to the Academy being awarded more federal funds than in 2005 which resulted in a large increase in intergovernmental receivable on financial statements.

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal years 2006 and 2005 as well as a listing of revenues and expenses.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

(Table 2)
Change in Net Assets

| | 2006 | 2005 |
|--------------------------------|------------------|------------------|
| Operating Revenues: | | |
| Foundation Payments | \$ 3,436,684 | \$ 2,359,293 |
| Food Services | 20,789 | 16,600 |
| Other | 8,821 | 9,346 |
| Non-Operating Revenues: | | |
| Federal Grants | 545,058 | 246,931 |
| State Grants | 7,294 | 33,950 |
| Private Sources - NHA, Inc | 254,501 | 769,810 |
| <i>Total Revenues</i> | <u>4,273,147</u> | <u>3,435,930</u> |
| Operating Expenses | | |
| Contracted Service Fee | <u>4,262,317</u> | <u>3,415,953</u> |
| <i>Total Expenses</i> | <u>4,262,317</u> | <u>3,415,953</u> |
| <i>Increase in Net Assets</i> | <u>\$ 10,830</u> | <u>\$ 19,977</u> |

As reported in the statement of revenues, expenses, and changes in net assets, the cost of business-type activities was \$4,262,317. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. Revenues – Private sources—NHA represent a credit granted by NHA for the excess of Academy's expenses over public revenues available.

Foundation revenue increased in 2006 by \$1,077,391 or 45.7%, this increase was due to enrollment increasing by 154 students from 2005 to 2006. Federal grants also increased by \$298,127 or 121% due to the Academy qualifying for more Title I funds during the period which is also tied to the increase in enrollment.

Contracted service fees increased in 2006 by \$846,364 or 24.7% due to the hiring of teachers and the purchasing of more services to accommodate the increase in the student population from 2005 to 2006.

The Academy experienced an increase in net assets of \$10,830 in 2006. Under the terms of the agreement with NHA, NHA provides a spending account to the Board of Directors for discretionary expenditures. The primary reason for the change in net assets is the timing of these discretionary expenditures.

General Economic Factors

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the School in 2007.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Contacting the Academy's Financial Management

The financial report is designed to provide users of the report with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste 201, Grand Rapids, Michigan 49512-3927.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2006

Assets

Current Assets:

| | |
|-------------------------------|--------------------|
| Cash and Cash Equivalents | \$ 31,882 |
| Intergovernmental Receivables | <u>290,090</u> |
| <i>Total Current Assets</i> | <u>321,972</u> |
| <i>Total Assets</i> | <u>321,972</u> |

Liabilities

Current Liabilities:

| | |
|------------------------------------|--------------------|
| Due to National Heritage Academies | <u>291,165</u> |
| <i>Total Current Liabilities</i> | <u>291,165</u> |
| <i>Total Liabilities</i> | <u>291,165</u> |

Net Assets

| | |
|-------------------------|-------------------------|
| Unrestricted | <u>30,807</u> |
| <i>Total Net Assets</i> | <u><u>\$ 30,807</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | |
|--|------------------|
| Operating Revenues | |
| Foundation Payments | \$ 3,436,684 |
| Food Services | 20,789 |
| Other Revenues | 8,821 |
| | <hr/> |
| <i>Total Operating Revenues</i> | <i>3,466,294</i> |
| | <hr/> |
| Operating Expenses | |
| Contracted Service Fee | 4,262,317 |
| | <hr/> |
| <i>Total Operating Expenses</i> | <i>4,262,317</i> |
| | <hr/> |
| <i>Operating Loss</i> | <i>(796,023)</i> |
| | <hr/> |
| Non-Operating Revenues | |
| Federal Grants | 545,058 |
| State Grants | 7,294 |
| Private Sources - National Heritage Academies, Inc | 254,501 |
| | <hr/> |
| <i>Total Non-Operating Revenues</i> | <i>806,853</i> |
| | <hr/> |
| <i>Change in Net Assets</i> | <i>10,830</i> |
| | <hr/> |
| <i>Net Assets Beginning of Year</i> | <i>19,977</i> |
| | <hr/> |
| <i>Net Assets End of Year</i> | <i>\$ 30,807</i> |
| | <hr/> <hr/> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

| | |
|---|--------------------|
| Cash Received from State of Ohio | \$ 3,474,532 |
| Cash Received for Food Services | 20,789 |
| Cash Received from Other Operating Revenues | 8,821 |
| Cash Payments on Behalf of the Academy for Goods and Services | <u>(4,136,259)</u> |
| <i>Net Cash Used for Operating Activities</i> | <u>(632,117)</u> |

Cash Flows from Noncapital Financing Activities:

| | |
|---|----------------|
| Federal Grants Received | 379,567 |
| State Grants Received | 7,294 |
| Support from Private Sources - National Heritage Academies | <u>254,501</u> |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | <u>641,362</u> |

| | |
|---|-------------------------|
| <i>Net Increase in Cash and Cash Equivalents</i> | <u>9,245</u> |
| <i>Cash and Cash Equivalents at Beginning of Year</i> | <u>22,637</u> |
| <i>Cash and Cash Equivalents at End of Year</i> | <u><u>\$ 31,882</u></u> |

**Reconciliation of Operating Loss to Net
Cash Used for Operating Activities:**

| | |
|----------------|--------------|
| Operating Loss | \$ (796,023) |
|----------------|--------------|

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

Changes in Assets and Liabilities:

| | |
|---|----------------|
| Decrease in Intergovernmental Receivable | 37,848 |
| (Decrease) in Accounts Payable | (259) |
| (Decrease) in Intergovernmental Payable | (10,769) |
| Increase in Due to National Heritage Academies, Inc | <u>137,086</u> |

| | |
|---|----------------------------|
| <i>Total Adjustments</i> | <u>163,906</u> |
| <i>Net Cash Used for Operating Activities</i> | <u><u>\$ (632,117)</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. NATURE OF OPERATIONS

Winterfield Venture Academy (the "Academy") is an Ohio Public School Academy which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy was incorporated on March 14, 2004, and began operating during the fiscal year ended June 30, 2005. The Academy operates under an approved charter received from Lucas County Educational Service Center ("LCESC"), which is responsible for oversight of the Academy's operations. The charter will automatically renew on a year-to-year basis, unless at least 90 days written notice is given by either the Academy or LCESC. The Academy provides education to students in kindergarten through the seventh grade, at no cost to the parent. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The Academy operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Board of Directors of the Academy has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. ("NHA") which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will automatically renew on a year-to-year basis, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources. NHA provides a spending account to the Board of Directors for discretionary expenditures on an annual basis. Revenues—private sources—National Heritage Academies, Inc. represent a contribution granted by NHA for the excess of Academy expenditures over public revenues available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Winterfield Venture Academy 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 Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's 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 revenue, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy 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 financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

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

Non-exchange transactions, in which the 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 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.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash Deposits

For cash management, all cash received by the Chief Financial Officer is pooled in a non-interest bearing central bank account. Total cash for the Academy is presented as "Cash and Cash Equivalents" on the accompanying Statement of Net Assets. Cash as of June 30, 2006, represents bank deposits, which are covered by federal depository insurance.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Current Liabilities

Due to National Heritage Academies, Inc.—this amount consists of payments due to National Heritage Academies, Inc. for management services rendered in Fiscal Year 2006.

H. Operating Revenues and Expenses

Intergovernmental Revenues—the Academy currently participates in the State Foundation Program, Poverty Based Assistance Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenue in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the fiscal year when use is 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.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At fiscal year end June 30, 2006, the Academy had no restricted net assets.

3. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2006, the Academy's bank balance was \$32,354. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, none of the bank balance was exposed to custodial risk as discussed below, 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 Academy will not be able to recover the deposits. 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 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 Academy.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. RECEIVABLES

Receivables at June 30, 2006, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

| <u>Intergovernmental Receivables</u> | <u>Amounts</u> |
|--------------------------------------|----------------|
| Title I '06 | 219,264 |
| Title IIA '06 | 12,614 |
| Title IID '06 | 7,969 |
| Title IV '06 | 4,289 |
| Title V '06 | 155 |
| IDEA Flowthrough | 26,203 |
| School Lunch '06 | 16,112 |
| FTE Adjustment | 3,484 |
| Total Intergovernmental Receivables | \$ 290,090 |

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and NHA is required to contribute an actuarially determined rate. The current NHA rate is 14 percent of annual covered payroll. A portion of NHA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 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. NHA's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006 and 2005 were \$22,152 and \$15,307, respectively; 100 percent was contributed for Fiscal Years 2006 and 2005.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. DEFINED BENEFIT PENSION PLANS – (Continued)

B. State Teachers Retirement System of Ohio

NHA on behalf of employees at the Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement systems. 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 includes financial statements and required supplementary information. That report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB 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 DBP or CP 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 DCP 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, 2006, plan members were required to contribute 10 percent of their annual covered salaries. NHA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The NHA's required contributions for pension obligation to STRS Ohio for the fiscal years ended June 30, 2006 and 2005 were \$130,192 and \$85,705, respectively; 100 percent was contributed for Fiscal Years 2006 and 2005.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio) and to retired, non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory 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. By law, the cost of coverage paid from STRS Ohio funds is 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 the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$10,015 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$7,161.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained through Indiana Insurance Company. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The Indiana Insurance Company also provides umbrella liability coverage of \$2,000,000 per occurrence, as well as, in the aggregate.

8. 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 management, any such disallowed claims will not have a material adverse effect of the financial position of the Academy.

B. Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under the 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 Winterfield Venture Academy is not presently determinable.

C. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. ODE has conducted a review of the Academy's 2006 student enrollment data and FTE calculations. For fiscal year 2006, the results of this review resulted in an increase of \$3,484 which is reported as an intergovernmental receivable on the Statement of Net Assets.

9. RELATED PARTY

The Board members of Winterfield Venture Academy are also the same Board members for Bennett Venture Academy both Academies are managed by National Heritage Academies, Inc.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. MANAGEMENT COMPANY DISCLOSURE - CONTRACTED SERVICE FEE

NHA has informed the Academy that the contracted service fee includes payment for the following:

| | | |
|------------------------------|-----------|------------------|
| Instruction | | |
| Basic instruction | \$ | 1,573,849 |
| Added needs | | 325,091 |
| Special education | | 120,384 |
| Support services: | | |
| Pupil services | | 80,820 |
| Instructional staff | | 121,229 |
| Board of education | | 35,752 |
| Executive administration | | 209,743 |
| State and federal relations | | 27,894 |
| Office of the principal | | 173,528 |
| Business support services | | 75,251 |
| Operations and maintenance | | 1,103,252 |
| Central services | | 271,345 |
| Food services | | 144,179 |
| Total contracted service fee | <u>\$</u> | <u>4,262,317</u> |

11. SPONSORSHIP AGREEMENT

The Academy entered into a sponsorship agreement with the Lucas County Educational Service Center on March 14, 2004. This agreement provides the Lucas County Educational Service Center receives one percent of State Foundation funds received by the Academy from the State of Ohio. This amounted to \$34,745 for fiscal year 2006.

12. OPERATING LEASE

The Academy has entered into a sub-lease agreement with National Heritage Academies for a facility to house the Academy. The lease term is from July 1, 2005, through June 30, 2006. Annual rental payments required by the lease are \$815,680, payable in twelve monthly payments of \$67,973. This lease is renewable on a year to year basis.

The Academy subsequently renewed the sub-lease with National Heritage Academies on July 13, 2006, for the period of July 1, 2006, through June 30, 2007. Annual rental payments required by the lease are \$832,960, payable in twelve monthly payments of \$69,413.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Disbursements |
|---|--------------------------------------|---------------------------|------------------------------|------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i> | | | | |
| National School Lunch Program | 000546-LLP4-2006 | 10.555 | 74,571 9,883 | 92,976 |
| Total U.S. Department of Agriculture | | | 84,454 | 92,976 |
| U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i> | | | | |
| Title I - Grants to Local Educational Agencies | 000546-C1S1-2006 000546-C1S1-2005 | 84.010 | 151,223 54,944 206,167 | 312,254 31,739 343,993 |
| Title V- Innovative Program Grant | 000546-C2S1-2006 | 84.298 | 1,397 | 1,552 |
| Title IID - Education Technology Grant | 000546-TJS1-2006 000546-TJS1-2005 | 84.318 | 870 110 980 | 3,114 3,114 |
| Title II Part A- Improving Teacher Quality Grant | 000546-TRS1-2006 000546-TRS1-2005 | 84.367 | 1,001 5,598 6,599 | 2,733 2,733 |
| IDEA Part B | 000546-6BSF-2006 000546-6BCM-2005 | 84.027 | 47,633 32,338 79,971 | 60,985 35,931 96,916 |
| Total U.S. Department of Education | | | 295,114 | 448,308 |
| Total Federal Awards Expenditures | | | \$379,568 | \$541,284 |

The accompanying notes are an integral part of this schedule.

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Winterfield Venture Academy
c/o National Heritage Academies
3850 Broadmoor, SE Suite 201
Grand Rapids, Michigan 49512-3927

To the Governing Board:

We have audited the basic financial statements of Winterfield Venture Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2006, and have issued our report thereon dated June 29, 2007, which indicated that the amounts presented in note 10 were audited by other auditors. 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 Academy'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 Academy's management dated June 29, 2007, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Academy'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*. In a separate letter to the Academy's management dated June 29, 2007, we reported a matter related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

We intend this report solely for the information and use of Management, the Audit Committee, the Governing Board, federal awarding agencies, pass through entities, and the Sponsor. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 29, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Winterfield Venture Academy
c/o National Heritage Academies
3850 Broadmoor, SE Suite 201
Grand Rapids, Michigan 49512-3927

To the Governing Board:

Compliance

We have audited the compliance of Winterfield Venture Academy, Lucas County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, Winterfield Venture Academy, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Mary Taylor, CPA
Auditor of State

June 29, 2007

**WINTERFIELD VENTURE ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Title I CFDA# 84.010 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No, first time single audit. |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

WINTERFIELD VENTURE ACADEMY

LUCAS 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
AUGUST 14, 2007**