



**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



Mary Taylor, CPA
Auditor of State

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Horizon Science Academy of Cleveland
Cuyahoga County
6000 South Marginal Road
Cleveland, Ohio 44103

To the Board of Trustees:

We have audited the accompanying financial statements of the Horizon Science Academy of Cleveland, Cuyahoga County, Ohio, (the Academy) 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 Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 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.

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

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

Mary Taylor, CPA
Auditor of State

January 30, 2007

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Year Ended June 30, 2005
Unaudited

The discussion and analysis of Horizon Science Academy of Cleveland (HSAC) provides an overall review of the School's financial activities for the fiscal year ended June 30, 2005. The intent of the discussion and analysis is to look at HSAC'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 HSAC's financial performance.

Financial Highlights

Key financial highlights affecting 2005 are as follows:

Total assets increased by \$669,620, which represents a 13.1% increase from 2004. This increase is due to an increase in receivables of \$195,865 and an increase in capital assets of \$468,598. The receivable includes funds loaned to another charter school. The increase in capital assets is due to the purchase of modular classrooms.

Liabilities increased \$501,645, which represents an 18.3% increase from 2004. The mortgage note relating to the modular classrooms accounts for the majority of the increase.

Total Operating Revenues totaled \$3,057,332.

Operating expenses increased by \$368,621, which represents a 13.5% increase from 2004. Operating expense increases are due to an increase in the number of teachers, and from a management agreement (\$265,640).

Using this Financial Report

This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand HSAC as a financial whole.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of HSAC.

Statement of Net Assets and Statements of Revenues, Expenses and Changes in Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during 2005?" These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received.

These statements report HSAC's net assets and the change in those assets. Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Year Ended June 30, 2005
Unaudited
(Continued)

School-wide financial analysis

Table 1 provides a summary of HSAC's net assets as of June 30, 2005 and 2004.

**Table 1
NET ASSETS**

<u>Assets:</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<u>Current Assets:</u>		
Cash and Cash equivalents	\$ 363,656	\$ 358,499
Receivables	195,865	-
Total Current Assets	<u>559,521</u>	<u>358,499</u>
<u>Non-Current Assets:</u>		
Capital Assets (Net of Accumulated Depreciation)	<u>4,546,704</u>	<u>4,078,106</u>
Total Assets	<u>5,106,225</u>	<u>4,436,605</u>
<u>Liabilities and Equity:</u>		
<u>Current Liabilities:</u>		
Accounts Payable	25,513	24,530
Intergovern. Payable	-	983
Accrued Payroll	144,609	125,209
Interest Payable	<u>20,878</u>	<u>21,410</u>
Total Current Liabilities	<u>191,000</u>	<u>172,132</u>
<u>Long Term Liabilities</u>		
Capital Lease Payable	1,230	4,919
Mortgage Note Payable	<u>3,055,655</u>	<u>2,569,189</u>
Total Long Term Liabilities	<u>3,056,885</u>	<u>2,574,108</u>
Total Liabilities	<u>3,247,885</u>	<u>2,746,240</u>
<u>Net Assets</u>		
Investment in Capital Assets, net of related debt	1,489,819	1,503,998
Unrestricted	<u>368,521</u>	<u>186,367</u>
Total Net Assets	<u>\$ 1,858,340</u>	<u>1,690,365</u>

In the case of HSAC, capital assets (net of accumulated depreciation) comprise 89% of total assets. As a result, the depreciation expense has a significant impact on the total net assets. The majority of the change is due to the addition of the modular classrooms.

Receivables increased \$195,865 from a loan and a deposit that is to be returned.

Total Liabilities of \$3,247,885 increased by \$501,645 from increased teaching staff and the addition of a loan on the modular classrooms.

Total net assets totaled \$1,858,340 and increased \$167,975.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Year Ended June 30, 2005
Unaudited
(Continued)

Table 2 shows the changes in net assets for the years ended June 30, 2005 and 2004.

**Table 2
Revenues, Expenses and Changes in Net Assets**

	FOR THE YEAR ENDED	
	June 30, 2005	June 30, 2004
<u>Operating Revenues:</u>		
Foundation Payments	\$ 2,934,369	\$ 2,906,396
Other Operating Revenue	122,963	107,057
	3,057,332	3,013,453
<u>Operating Expenses:</u>		
Salaries	1,503,803	1,427,843
Fringe Benefits	269,862	294,420
Purchased Services	658,491	273,770
Materials and Supplies	198,955	236,935
Depreciation	128,933	123,021
Interest Expense	266,049	269,808
Capital Outlay	-	1,644
Other Operating Expenses	82,088	112,119
<i>Total Operating Expenses</i>	3,108,181	2,739,560
Operating Income	(50,849)	273,893
<u>Non-Operating Revenues</u>		
Federal and State Grants	95,893	243,797
Private Grants and Contributions	66	30,361
Investment Earnings	2,865	-
Rental Income	120,000	120,000
	218,824	394,158
<u>Net Assets</u>		
Net Increase in Net Assets	167,975	668,051
Total Net Assets at Beginning of Year	1,690,365	1,022,314
Total Net Assets at End of Year	\$ 1,858,340	\$ 1,690,365

Foundation payments accounted for 96% of the Operating Revenues. Community school foundation payments are received from the Ohio Department of Education (ODE) based on various student enrollment data submitted to ODE throughout the school year.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Year Ended June 30, 2005

Unaudited
(Continued)

Operating expenses for 2005 totaled \$3,108,181, which represents an increase of \$368,621 over the prior year. The majority of the increase is in professional fees, primarily as a result of entering into a management contract (\$265,640), repairs to the building (\$109,910), and adding new teaching positions and salary increases (\$75,960).

Table 3 reflects capital assets, net of accumulated depreciation, as of June 30, 2005 and 2004.

**Table 3
Capital Assets (Net of Accumulated Depreciation)**

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Building and Improvements	\$ 4,472,741	\$ 4,026,062
Furniture and Equipment	32,778	30,589
Capitalized Leases	16,373	19,601
School Buses	24,812	1,854
Total	<u>4,546,704</u>	<u>4,078,106</u>

HSAC's investment in capital assets for its activities as of June 30, 2005 amount to \$4,546,704. This is an increase of \$468,598 over 2004.

Contacting HSAC's Financial Management

The financial report is designed to provide all interested parties with a general overview of HSAC's finances. If you have any questions about this report or need additional information, contact HSAC's Treasurer, Ryan Uysaler, at Horizon Science Academy of Cleveland, 6000 South Marginal Road, Cleveland, Ohio 44103, and phone number 216-432-3660.

HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY
As of June 30, 2005

Assets:

Current Assets:

Cash and Cash equivalents	\$ 363,656
Receivables	<u>195,865</u>
<i>Total Current Assets</i>	<u>559,521</u>

Non-Current Assets:

Capital Assets (Net of Accumulated Depreciation)	<u>4,546,704</u>
<i>Total Assets</i>	<u>5,106,225</u>

Liabilities and Equity:

Current Liabilities:

Accounts Payable	25,513
Accrued Payroll	144,609
Interest Payable	<u>20,878</u>
<i>Total Current Liabilities</i>	<u>191,000</u>

Long Term Liabilities

Capital Lease Payable	1,230
Mortgage Notes Payable	<u>3,055,655</u>
<i>Total Long Term Liabilities</i>	<u>3,056,885</u>
<i>Total Liabilities</i>	<u>3,247,885</u>

Net Assets

Investment in Capital Assets, net of related debt	1,489,819
Unrestricted	<u>368,521</u>
<i>Total Net Assets</i>	<u>\$ 1,858,340</u>

The accompanying notes to the financial statements are an integral part of this statement.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

Statement of Revenues, Expenses and Changes In Net Assets
For the Fiscal Year Ended June 30, 2005

Operating Revenues:

Foundation Payments	\$ 2,934,369
Other Operating Revenue	<u>122,963</u>
 Total Operating Revenue	 <u>3,057,332</u>

Operating Expenses:

Salaries	1,503,803
Fringe Benefits	269,862
Purchased Services	658,491
Materials and Supplies	198,955
Depreciation	128,933
Interest Expense	266,049
Other Operating Expenses	<u>82,088</u>
 <i>Total Operating Expenses</i>	 <u>3,108,181</u>

Operating Income	(50,849)
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Non-Operating Revenues

Federal and State Grants	95,893
Private Grants and Contributions	66
Investment Earnings	2,865
Rental Income	<u>120,000</u>
 Total Non-Operating Revenues	 <u>218,824</u>

Net Assets

Net Increase in Net Assets	167,975
 Total Net Assets at Beginning of Year	 <u>1,690,365</u>
 Total Net Assets at End of Year	 <u>\$ 1,858,340</u>

The accompanying notes to the financial statements are an integral part of this statement.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

Statement of Cash Flows
For the Year Ended June 30, 2005

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 2,934,369
Cash Payments to Suppliers for Goods and Services	(1,442,282)
Cash Payments to Employees for Services	(1,714,962)
Cash Received from Others	<u>123,963</u>
Net Cash Used for Operating Activities	<u>(98,912)</u>

Cash Flows from Noncapital Financing Activities:

Non-Operating Grants and Contributions Received	<u>95,959</u>
Net Cash Provided by Noncapital Financing Activities	<u>95,959</u>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(597,531)
Mortgage Loan Proceeds	561,000
Payments of Capitalized Leases	(3,689)
Payment of Mortgages	<u>(74,535)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(114,755)</u>

Cash Flows from Investing Activities:

Interest Earned on Note Receivable	2,865
Rental Income	<u>120,000</u>
Net Cash Provided by Investing Activities	<u>122,865</u>
Net Increase in Cash and Cash Equivalents	5,157
Cash and Cash Equivalents at the Beginning of the Year	<u>358,499</u>
Cash and Cash Equivalents at the End of the Year	\$ <u><u>363,656</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

Statement of Cash Flows
For the Year Ended June 30, 2005
(Continued)

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

Operating Income	\$ (50,849)
<u>Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:</u>	
Depreciation	128,933
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(195,865)
Increase in Wages and Benefits	19,401
Decrease in Accrued Expenses	<u>(532)</u>
Total Adjustments	<u>(48,063)</u>
Net Cash Used for Operating Activities	\$ <u><u>(98,912)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

I. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Horizon Educational Services Incorporated (HESI) is a non-profit corporation established January 26, 1999, pursuant to Ohio Rev. Code Chapter 1702. HESI created the Horizon Science Academy of Cleveland (HSAC) as permitted under Ohio Revised Code Chapter 3314 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies a tax exempt organization under § 501(C)(3) status by the Internal Revenue Service exclusively for educational purposes. These purposes include the fostering of quality public education, and the advancement of the interests of public school students through the operation of a community school, the development of innovative programs in public education and the development of systems of accountability for public school student performance. Management is not aware of any course of action or series of events that have occurred that might adversely affect the HSAC's tax-exempt status. HSAC, which is part of Ohio's education program, is independent of any school district. HSAC may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of HSAC.

A proposal was initially forwarded to the Ohio Department of Education by HSAC during June 1999 to open a community school in the fall of 1999. The Ohio Department of Education (ODE) approved the proposal and entered into a five-year contract with HSAC for the commencement of operations at the beginning of the 1999-2000 school year. The contract was renewed in 2004 with ODE for a five-year period commencing July 1, 2004. Effective July 1, 2005, HSAC entered into a five year sponsorship contract with Lucas County Educational Service Center.

The School operates under a five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees controls the HSAC's instructional facility staffed by five uncertified and forty two certificated full time teaching personnel who provide services to 435 students.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of HSAC have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. HSAC also applies Financial Accounting Standards Board 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 HSAC's accounting policies are described below

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Basis of Presentation

HSAC's financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has decided that periodic determination of revenues earned, expenses incurred, and/or net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment 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. Operating statements present increases (e.g. revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. HSAC's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which HSAC receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted; matching requirements, in which HSAC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to HSAC on reimbursement basis. Expenses are recognized at the time they are incurred.

3. Cash and Cash Equivalents

All monies received by HSAC are deposited in demand deposit accounts in the name of HSAC at National City Bank.

4. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. HSAC maintains a capitalization threshold of \$1,000. HSAC does not possess any infrastructure.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Assets and Depreciation (Continued)

Improvements are also capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets are depreciated.

Depreciation of buildings, building improvements, computers and equipment, furniture, vehicles, and classroom and marketing materials are computed using the straight-line method over their estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

<u>Capital Asset Classification</u>	<u>Years</u>
Building & leasehold improvements	39
Classroom Materials and Furniture	10
Computer and equipment	5
Vehicles	5

5. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid Program ("DPIA"). 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 the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which HSAC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to HSAC on a reimbursement basis.

6. Compensated Absences

Vacation for teaching staff is to be taken in a manner that corresponds with the school calendar; therefore, HSAC does not accrue vacation time as a liability.

7. Private Donations

HSAC has received funds from individuals to support HSAC's education programs.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Net Assets

Net Assets represent the difference between asset and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by HSAC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. HSAC presently has no restricted net assets.

9. Use of Estimates

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

III. BUDGETING

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705. The contract between HSAC and its Sponsor does prescribe a budgetary process requirement in addition to preparing a 5 year forecast, which has to be updated on an annual basis.

IV. DEPOSITS AND INVESTMENTS

At the end of fiscal 2005, the carrying amount of HSAC deposits was \$363,656 and the bank balance was \$479,923. Based on the criteria described in GASB statement No. 40, Deposits and Investment Risk Disclosure," as of June 30, 2005 \$379,923 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, HASC 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 HSAC.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

V. RECEIVABLES

In March 2005, a loan for \$200,000, at a 6% interest rate, was made to the Horizon Science Academy of Toledo. The payments are for varying amounts with the entire loan comprised of twelve payments with the final payment due in March, 2006. As of June 30, 2005 the balance outstanding was \$195,865.

VI. CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/05</u>
Building and Improvements	\$4,411,993	561,000	\$0	\$4,972,993
Furniture and Equipment	73,609	10,707	0	84,316
School Buses	<u>2,848</u>	<u>25,824</u>	<u>0</u>	<u>28,672</u>
Totals at Historical Cost	4,488,450	597,531	0	5,085,981
Less accumulated depreciation:				
Building and Improvements	(385,931)	(114,321)	0	(500,252)
Furniture and Equipment	(23,419)	(11,746)	0	(35,165)
School Buses	<u>(994)</u>	<u>(2,866)</u>	<u>0</u>	<u>(3,860)</u>
Total Depreciation	(410,344)	(128,933)	0	(539,277)
Net Capital Assets	\$4,078,106	\$468,598	\$0	\$4,546,704

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

VII. PURCHASED SERVICES

Purchased Services include the following:

Occupancy Costs	224,620
Pupil Support Services	65,773
Administrative	333,783
Staff Development	12,498
Other	<u>21,817</u>
Total Purchased Services	<u>\$658,491</u>

VIII. RISK MANAGEMENT

1. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the School contracted with AJ Amer Agency Inc. for all of its insurance.

The building, furniture and equipment have a \$4,100,000 limit, the liability insurance has a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate and no deductible, and the professional liability has a \$1,000,000 single occurrence limit and \$3,000,000 aggregate and a \$1,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past three years, and there have been no significant reductions in insurance coverage from the prior year.

2. Workers' Compensation

HSAC makes premium payments to the Ohio Workers' Compensation System (WC) for employee injury coverage. As of June 30, 2005, there have been no claims filed by employees with WC for the year ending June 30, 2005.

3. Employee Medical, and Dental

HSAC contracted with Medical Mutual through Council of Smaller Enterprises (COSE) to provide employee medical/surgical benefits. During the 2005 fiscal year, the costs to HSAC for medical and dental insurance benefits, net of employee contributions, were \$49,767.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

IX. PENSION PLANS

1. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and HSAC is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the HSAC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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. HSAC's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$14,441, \$8,080, and \$5,997 respectively; 93.9% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$885 representing the unpaid contribution for fiscal year 2005 is recorded as a liability under Intergovernmental Payable.

2. State Teachers Retirement System

HSAC contributes to 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 includes financial statements and required supplementary information. That report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

IX. PENSION PLANS (Continued)

2. State Teachers Retirement System (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the 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. HSAC 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 employee contributions.

HSAC's required contributions to pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$177,719, \$163,311, and \$138,645 respectively; 91.5 percent has been contributed for fiscal year 2005, and 100% for fiscal years 2004 and 2003. \$15,051 representing the unpaid contribution for fiscal year 2005 is recorded as a liability under Accounts Payable. Contributions to the DC and Combined Plans for fiscal year 2004 were \$8,911 made by the Academy and \$14,447 made by the plan members.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

X. POST-EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. As of June 30, 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund, from which payments for health care benefits are paid. For HSAC, this amount equaled \$13,685 during fiscal 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal 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 retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions used to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, HSAC paid \$6,049 to fund health care benefits, including the surcharge.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

X. POST-EMPLOYMENT BENEFITS (Continued)

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 projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

XI. BUILDING PURCHASE

Horizon Science Academy of Cleveland (HSAC) entered into a capital lease on November 30, 2000 to purchase a parcel of land containing two buildings. One building is 40,880 square feet and is used for School operations. The other building is 10,000 square feet and is presently occupied by Ohio Motorists Association (OMA). The total purchase price was \$2,800,000 at a 10% interest rate payable monthly over a period of twenty years. The first payment was due January 1, 2001. Monthly payments are \$26,490. The OMA currently pays \$10,000 a month rent for the building where they are located. HSAC pays the difference between the \$26,490 and the \$10,000 rent paid by the OMA, which is \$16,490. If the OMA fails to pay its rent, HSAC is still obligated to pay the entire \$26,490. As of the date of this report, the School is current on all lease payments.

The current owner of the building may at any time after September 1, 2005 issue a Final Closing Notice, advising HSAC of a date not earlier than ninety days after the delivery date of the Final Closing Notice on which the current owner is prepared to transfer title to the premises to HSAC in return for payment of the full balance for the purchase price. See Subsequent Events footnote for additional information.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

XII. CONTINGENCIES

1. Grants

HSAC received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of HSAC. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of HSAC at June 30, 2005.

2. Pending 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 Equal Protection, Due Process, and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effects of this suit, if any, on the HSAC is not presently determinable.

XIII. MANAGEMENT AGREEMENT

HSAC entered into an agreement with Concept Schools to provide business management services for the fiscal year 2005. The agreement was for a period of one year, effective July 1, 2004, with automatic renewals. Management fees are calculated as 12% of the 2004/2005 Foundations payment received by HSAC, as reported in the Monthly Community School Foundation Report. The total paid by HSAC for the fiscal year ending June 30, 2005 was \$265,640.

XVI. SUBSEQUENT EVENTS

1. Assumption of Land Installment Contract and Lease

An agreement was made November 30, 2005 with Breeze Inc. whereby the land contract was assigned to Breeze Inc. On December 1, 2005 a Lease was entered into with Breeze Inc. whereby the building was leased back to HSAC. The lease calls for monthly rental payments of \$19,000 for the lease term, which ends June 30, 2009. There is a five year renewal option.

2. Modular Classroom Lease

The modular classrooms located on the property are now leased to a charter middle school for a 10 year term starting January 2, 2006.

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Mary Taylor, CPA

Auditor of State

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

Horizon Science Academy of Cleveland
Cuyahoga County
6000 South Marginal Road
Cleveland, Ohio 44103

To the Board of Directors:

We have audited the financial statements of the Horizon Science Academy of Cleveland, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2005 which comprise the Academy's basic financial statements and have issued our report thereon, dated January 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-003 and 2005-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider both reportable conditions listed above to be material weaknesses. In a separate letter to the Academy's management dated January 30, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 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 and 2005-002. In a separate letter to the Academy's management dated January 30, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

Mary Taylor, CPA
Auditor of State

January 30, 2007

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2005-001
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Finding for Recovery Repaid Under Audit

During fiscal year 2005, Mustafa Icel, Teacher, was overpaid based on his employment contract. During fiscal year 2005 he was overpaid \$10.00 for two pay periods and \$9.04 for twenty-two pay periods over and above the amount of his approved compensation as recorded on this employment contract. This excessive compensation totaled \$218

In accordance with the foregoing facts, and pursuant to Ohio Revised Code 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Mustafa Icel, teacher and Ryan Uysaler, Treasurer, jointly and severally in the amount of \$218 and in favor of the Horizon Science Academy.

This Finding for Recovery was paid back under audit.

Official's Response:

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

FINDING NUMBER	2005-002
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Financial Report Filing

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or Board and filed with the Auditor of State within one hundred fifty days of the end of the fiscal year if GAAP statements are filed. The report shall be filed within one hundred fifty days of the end of the fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source;
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03(B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section requires that all counties, cities, and school districts, including educational service centers and community schools, file annual financial reports which are prepared using generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP;
- Cash flow statement as prescribed by GAAP; and,
- Notes to the financial statements as prescribed by GAAP;

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)**

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

In addition, Ohio Revised Code section 117.38 provides, in part, that “[a]t the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in Section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.”

No evidence was provided, by the Academy, that this required notice was published.

We recommend to be compliant with the requirements of this Ohio Revised Code section the Academy publish the required notification.

The Academy did not file its financial statements for the year ended June 30, 2005.

We recommend the school organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period and publish the notice of availability as required. If these financial statements are not filed within the prescribed timetable the School may be assessed a late filing penalty.

Official’s Response:

The School appreciates the Auditor’s office assistance in informing the School of any missed deadlines. While the School did not file financial reports for the FY 2005 with the appropriate state agency, it appears they were completed in the correct format. The School has corrected this problem for 2006.

FINDING NUMBER	2005-003
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Developing and Implementing an Effective Monitoring Control System

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management’s objectives are being achieved. Effective monitoring controls should assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2005-003
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Developing and Implementing an Effective Monitoring Control System (Continued)

Some effective monitoring controls include:

- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of the initial budget, all amendments, and final budget to actual performance;
- Review of large or unusual transactions;
- Identification of unusual fluctuations;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);
- Monitoring compliance with grant agreements and the Sponsor contract;
- Ensuring that an adequate segregation of duties exists; and
- Review payroll reports to the payroll checks prepared.

The lack of effective monitoring controls could lead to the misallocation or misstatement of Academy funds, expenditure of funds contrary to the directives of the governing board, non-compliance with federal or state laws or regulations, which could result in a loss of funding from these sources, and errors or irregularities occurring in financial transactions affecting the bank reconciliations which go undetected.

We recommend that management prepare monthly financial statements and submit them to the Board at each regularly scheduled meeting. The Board should then review these financial statements and when satisfied as to their accuracy approve them through the minute records. In addition, management should ensure that any reports required by the grantor agencies, per the terms of grant agreements, are completed accurately and filed with the respective grantor agencies in a timely manner. Management should also ensure that proper segregation of duties exists, including an independent review of the monthly bank reconciliations.

Official's Response:

The School appreciates the Auditor's office assistance in reviewing current school procedures and internal controls. The School understands more fully now the potential risks and is implementing additional internal controls to address these risks.

FINDING NUMBER	2005-004
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Cash Collection Process

Cash collected for uniform and material fees are collected by the secretaries at the beginning of the year. As the monies are collected, the secretary prepared a two-part manual receipt, with the original part being distributed to the payer and second part maintained in the receipt book. The secretaries had 48 hours to deposit all collections with the Director. We noted all other collections, foundation remittances, grant reimbursements, collections for field trips, and all other collections were not recorded in the receipt books. The Director was responsible for depositing the funds to the bank account of the Academy.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2005-004
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Cash Collection Process (Continued)

We noted the Director did not maintain receipts or any detailed supporting documentation noting the sources of the money received and the date it was collected.

Lack of documentation of the receipt cycle could lead to misappropriation of collections, bank errors which cannot be substantiated, errors occurring between individuals who collect and remit funds and the individual depositing funds, and a lack of consistency in applying internal controls over the receipting cycle.

We recommend the Academy institute a policy of preparing a receipt for all monies received from all sources. As deposits are made, a reconciliation of total receipts to deposit amount should be prepared, by someone outside of the collection/receipting process. This would provide a permanent subsidiary record of all monies received, assist in the bank reconciliation process, and help ensure the completeness of the revenue records of the Academy.

Official's Response:

The Board asks that this Finding be removed from the report. The School does in fact have a method of accounting for all receipts, including electronic funds transfers received from the State. The School believes that it has an adequate system for documenting all funds received and that the additional steps recommended by the Auditor's office would create duplicative paperwork. Also, steps have been taken to develop a back up procedure should something happen to the current School treasurer.

Auditor of State's Conclusion:

At the Academy, all receipts are not documented and processed in the same manner. In meetings with the Academy's Treasurer it was apparent that only the Treasurer has a direct knowledge of the complete receipting procedures. Recording all receipts in one place would strengthen the internal controls and ensure the continued operation of this vital recordkeeping system if there was a change in the Treasurer position.

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA COUNTY**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain:
2004-001	Over payment of teacher	No	Additional amount occurred in 2005 and was issued as 2005-001. Total amount paid back under audit
2004-002	Fiscal Officer Designation Training Requirement	Yes	Corrected during fiscal year 2005
2004-003	Development and Implementing an Effective Monitoring Control System	No	Reissued as 2005-003
2004-004	Cash Collection Process	No	Reissued as 2005-004
2004-005	Board approval of Employment Contracts	Yes	Corrected during fiscal year 2005



Mary Taylor, CPA
Auditor of State

**HORIZON SCIENCE ACADEMY OF CLEVELAND
CUYAHOGA 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
MARCH 27, 2007**