

# FINANCIAL STATEMENTS

For

Year Ended June 30, 2007



## Horizon Science Academy- Columbus

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# Mary Taylor, CPA

Auditor of State

Board Members  
Horizon Science Academy of Columbus  
1070 Morse Road  
Columbus, Ohio 43229

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy of Columbus, Franklin County, prepared by Kennedy Cottrell Richards LLC for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 10, 2008

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# HORIZON SCIENCE ACADEMY - COLUMBUS

## FINANCIAL STATEMENTS

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Horizon Science Academy of Columbus

We have audited the accompanying financial statements of the enterprise fund of Horizon Science Academy of Columbus, Franklin County, Ohio (School) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of School management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund of the School as of June 30, 2007, and the respective changes in financial position and 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 January 31, 2008, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, 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 School's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Kennedy Cottrell Richards LLC*

Kennedy Cottrell Richards  
January 31, 2008



**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

The discussion and analysis of Horizon Science Academy- Columbus's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2007. Readers should also review the financial statements and notes to enhance their understanding of the School's financial performance.

**Financial Highlights:**

Key financial highlights for fiscal year 2007 are as follows:

- Total net assets increased by \$108,322
- The School had total operating revenues of \$3,702,928
- The School had total operating expenses of \$4,400,530
- The current liabilities decreased by \$59,230
- The School recorded a loss on disposal of capital assets for \$3,593
- The School received Federal and State Grants totaling of \$582,300

**Using this Financial Report:**

This annual report consists of a series of financial statements and notes to those statements.

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* reflect how the School did financially during fiscal year 2007. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**Contacting the School's Financial Management:**

This financial report is designed to provide citizens, grantors and potential creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Ryan Uysaler, Treasurer, Horizon Science Academy-Columbus, Inc. 1070 Morse Rd. Columbus, OH 43229.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

Table 1 provides a comparison of School's net assets in fiscal years 2006 and 2007.

	<u>June 30, 2006</u>	<u>June 30, 2007</u>
<b>Net Assets</b>		
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash and Cash Equivalents	9,846	86,925
Accounts Receivable	420	0
Intergovernmental Receivable	90,513	112,586
<b>Total Current Assets</b>	<b>100,779</b>	<b>199,511</b>
<u>Non-Current Assets</u>		
Security Deposit	43,375	43,375
Capital Assets (Net of Accumulated Depreciation)	554,784	498,990
<b>Total Non-Current Assets</b>	<b>598,159</b>	<b>542,365</b>
<b>Total Assets</b>	<b><u>698,938</u></b>	<b><u>741,876</u></b>
 <b>LIABILITIES &amp; EQUITY</b>		
<u>Current Liabilities</u>		
Accounts Payable	174,794	137,983
Intergovernmental Payable	0	71,922
Capital Leases- Current	39,054	26,530
Accrued Wages	275,867	252,325
Payroll Liabilities	75,889	21,396
National City- Line of Credit	48,843	45,062
<b>Total Liabilities</b>	<b><u>614,447</u></b>	<b><u>555,216</u></b>
<u>Long Term Liabilities</u>		
Capital Leases- Long Term	33,096	26,943
<b>Total Long Term Liabilities</b>	<b><u>33,096</u></b>	<b><u>26,943</u></b>
<b>Total Liabilities</b>	<b><u>647,543</u></b>	<b><u>582,159</u></b>
 <b>NET ASSETS</b>		
Investment in Capital Assets	482,634	498,990
Restricted	43,375	43,375
Unrestricted	(474,614)	(382,648)
<b>Total Net Assets</b>	<b><u>\$ 51,395</u></b>	<b><u>159,717</u></b>

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

Table 2 provides a comparison of the School's Revenues, Expenses and Changes in Net Assets in fiscal years 2006 and 2007.

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

	<u>June 30, 2006</u>	<u>June 30, 2007</u>
<b><u>Operational Income/Expense</u></b>		
<b>Income</b>		
Foundation Payments	3,008,400	3,589,647
Instructional Fees	18,290	18,459
Extracurricular Activities	12,145	12,280
Food Services	26,134	20,453
Other Local Revenue	<u>37,289</u>	<u>62,089</u>
<b>Total Operational Income</b>	<b>3,102,258</b>	<b>3,702,928</b>
<b>Expense</b>		
Salaries	1,805,191	2,031,101
Benefits	411,069	463,396
Purchased Services	1,158,382	1,492,755
Supplies & Materials	259,659	234,931
Other Objects	10,727	67,218
Depreciation Expense	<u>106,653</u>	<u>111,127</u>
<b>Total Operational Expense</b>	<b>3,751,681</b>	<b>4,400,529</b>
<b>Net Operational Income</b>	<b>(649,423)</b>	<b>(697,601)</b>
<b><u>Non-Operational Income/Expense</u></b>		
Federal Grants	420,765	573,736
State Grants	0	8,564
Contributions and Donations	988	3,494
Management Fee Forgiveness	0	230,814
Loss on Disposal of Assets	0	(3,593)
Interest Expense on Notes & Capital Leases	<u>(8,568)</u>	<u>(7,093)</u>
<b>Net Non-Operational Income</b>	<b>413,185</b>	<b>805,923</b>
<b><u>Net Assets</u></b>		
<b>Change in Net Assets</b>	(236,238)	108,322
<b>Net Assets at Beginning of Year</b>	287,633	51,395
<b>Net Assets at End of Year</b>	<b>\$ <u>51,395</u></b>	<b><u>159,717</u></b>

The growth in funding and salaries corresponds to the growth in enrollment. Enrollment (based on the final audited FTE) for fiscal year 2007 was 575 compared to 501 in fiscal year 2006.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

Table 3 shows the distribution of revenues in Fiscal Year 2007.

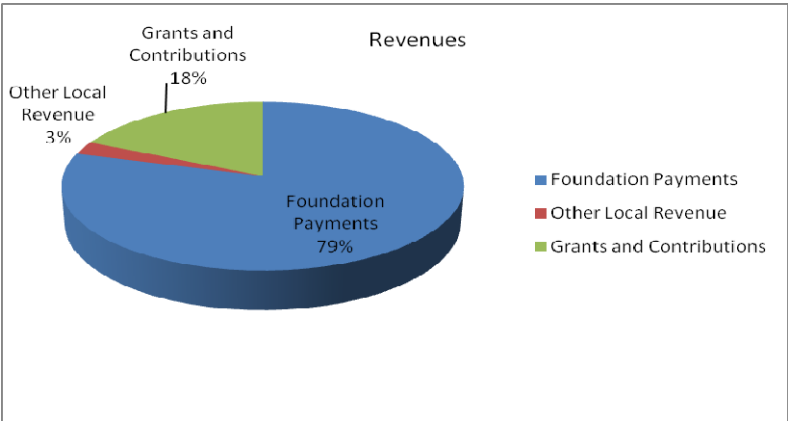


Table 4 shows the distribution of expenses in Fiscal Year 2006.

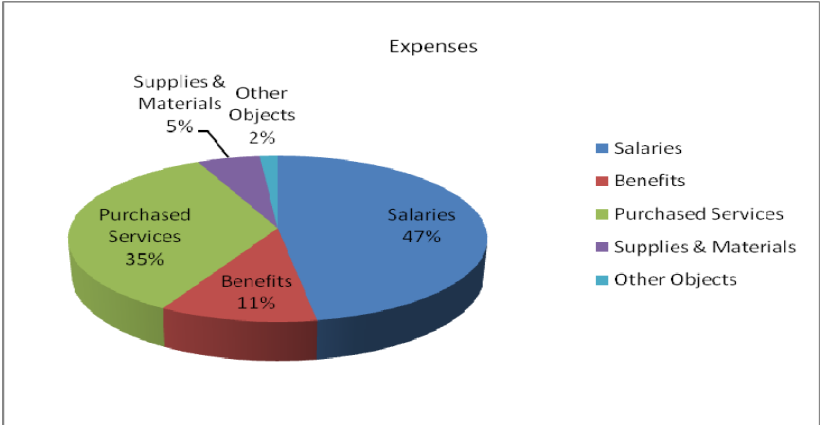


Table 5 shows the Capital Assets net of Accumulated Depreciation.

<b>Capital Assets</b>				
	<b>Initial Balance June 30, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2007</b>
Instructional Equipment & Furniture	259,509	28,855	11,994	276,370
Office Equipment & Furniture	234,904	8,289	38,616	204,577
Vehicles	7,875	21,782	5,675	23,982
Leasehold Improvements	543,598	0	0	543,598
<b>Total Fixed Assets</b>	<b>1,045,886</b>	<b>58,926</b>	<b>56,285</b>	<b>1,048,527</b>
Less: Accumulated Depreciation	(491,102)	(111,127)	(52,692)	<b>(549,537)</b>
<b>Net Fixed Assets</b>	<b>\$554,784</b>	<b>(52,201)</b>	<b>3,593</b>	<b>\$498,990</b>

HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY

**Statement of Net Assets**

For the Fiscal Year Ended June 30, 2007

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	86,925
Intergovernmental Receivable	112,586
<b>Total Current Assets</b>	<b>199,511</b>

**Non-Current Assets**

Security Deposit	43,375
Capital Assets (Net of Accumulated Depreciation)	498,990
<b>Total Non-Current Assets</b>	<b>542,365</b>

<b>Total Assets</b>	<b>741,876</b>
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**LIABILITIES & EQUITY**

**Current Liabilities**

Accounts Payable	137,983
Intergovernmental Payable	71,922
Capital Leases- Current	26,530
Accrued Wages	252,325
Payroll Liabilities	21,396
National City- Line of Credit	45,062
<b>Total Liabilities</b>	<b>555,216</b>

**Long Term Liabilities**

Capital Leases- Long Term	26,943
<b>Total Long Term Liabilities</b>	<b>26,943</b>

<b>Total Liabilities</b>	<b>582,159</b>
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**NET ASSETS**

Investment in Capital Assets	498,990
Restricted	43,375
Unrestricted	(382,648)
<b>Total Net Assets</b>	<b>\$ 159,717</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY

**Statement of Revenues, Expenses  
and Change in Net Assets**

For the Fiscal Year Ended June 30, 2007

**Operational Income/Expense**

**Income**

Foundation Payments	3,589,647
Instructional Fees	18,459
Extracurricular Activities	12,280
Food Services	20,453
Other Local Revenue	62,089
<b>Total Operational Income</b>	<b>3,702,928</b>

**Expense**

Salaries	2,031,101
Benefits	463,396
Purchased Services	1,492,755
Supplies & Materials	234,931
Other Objects	67,218
Depreciation Expense	111,127
<b>Total Operational Expense</b>	<b>4,400,529</b>

**Net Operational Income** (697,601)

**Non-Operational Income/Expense**

Federal Grants	573,736
State Grants	8,564
Contributions and Donations	3,494
Management Fee Forgiveness	230,814
Loss on Disposal of Assets	(3,593)
Interest Expense on Notes	(7,093)
<b>Net Non-Operational Income</b>	<b>805,923</b>

**Change in Net Assets** 108,322

**Net Assets at Beginning of Year** 51,395

**Net Assets at End of Year** \$ 159,717

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENT

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**Statement of Cash Flows**  
For Fiscal Year Ended June 30, 2007

<b>Cash Flows from Operating Activities</b>	
Cash Received from State of Ohio	3,661,569
Cash Received from Other Operating Revenues	113,701
Cash Payments to Suppliers for Goods and Services	(1,554,270)
Cash Payments to Employees for Services	(2,057,431)
Cash Payments for Employee Benefits	(517,889)
Other Cash Payments	(69,614)
	<hr/>
<b>Net Cash Provided for Operating Activities</b>	<b>(423,934)</b>
<b>Cash Flows from Noncapital Financial Activities</b>	
Grants Received from Federal Gov	551,663
Grants Received from State	8,564
Contributions and Donations	3,495
	<hr/>
<b>Net Cash Provided by Noncapital Financial Activities:</b>	<b>563,721</b>
<b>Cash Flows from Capital and Related Activities</b>	
Payments for Capital Acquisitions	(58,926)
Line of Credit Payments	(3,781)
	<hr/>
<b>Net Cash Used for Capital and Related Activities</b>	<b>(62,707)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>77,080</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>9,846</b>
	<hr/>
<b>Cash and Cash Equivalents at End of Year</b>	<b>86,926</b>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY

**Statement of Cash Flows**  
For Fiscal Year Ended June 30, 2007  
(Continued)

**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities:**

<b>Operating Loss</b>	<b>(697,601)</b>
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</b>	
Depreciation	111,127
<b>Changes in Assets and Liabilities</b>	
Decrease in Accounts Payable	(36,811)
Decrease in Payroll Liabilities	(54,493)
Decrease in Wages Payable	(23,542)
Increase in Intergovernmental Payable	71,922
Decrease in Capital Leases Payable	(13,399)
Decrease in Accounts Receivable	420
Increase in Management Fee Forgiveness	<u>218,443</u>
<b>Total Adjustments</b>	<u>273,667</u>
<b>Net Cash Used for Operating Activities</b>	<u><u>(423,934)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Horizon Science Academy- Columbus, Inc. (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades six through twelve in Columbus. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School qualifies as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

The School was initially approved for operation in August 1999 under a charter with Ohio Department of Education which expired on June 30, 2004. The School is currently under contract with Lucas County Educational Service Center (the Sponsor) until May 30, 2012.

The School operates under the direction of a self-appointed 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. In FY2007 the School employed 80 personnel for up to 575 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. 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 associated with the operation of the School are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the School finances meets the cash flow needs for its enterprise activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The full accrual basis of accounting is used for reporting purposes. 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. Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations are recognized in the period in which all eligibility requirements have been satisfied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Expenses are recognized at the time they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community Schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705; rather community schools are required to create a Five Year Budget Forecast that is approved by the School Board and submitted to ODE and to the School's Sponsor. The contract between the School and its Sponsor does not prescribe any other budgetary process for the School.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School is pooled in a central bank account. Any investment with an original maturity less than 90 days is considered a cash equivalent and any investment with an original maturity greater than 90 days is considered an investment. The School did not have any investments during fiscal year 2007.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintained a capitalization threshold of one thousand dollars for inventory assets and five thousand dollars for fixtures and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The School does not capitalize interest.

Furniture, fixtures, vehicles and equipment are depreciated using the straight-line method over the following estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Capital Assets and Depreciation (Continued)**

Useful Life	
Improvements	3 to 10 years
Heavy Duty Office or Classroom Furniture	10 years
Computers and Other Electronic Equipment	3 years
Vehicles	3 to 10 years

**F. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, Special Education Program, and the Parity Aid Program which are reflected under "Foundation Payments". Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amounts awarded under these programs for FY 2007 totaled \$ 3,589,647.

Grants from State and Federal Governments and donations are recognized as non-operating revenues 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 the school must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis. Amounts awarded under these programs for 2007 school year totaled \$ 582,300.

**G. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**H. Compensated Absences**

School policy indicates that all full time employees are entitled to eight days of sick/personal days in a school year. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year. The school also compensates it employees \$100 per day for each unused sick/personal days. Because, this compensation was made within the fiscal year no accrued earned compensation was recorded.

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At the end of the fiscal year ended June 30, 2007 only \$43,375 of the Schools' net assets was restricted.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Use of Estimates**

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

**3. DEPOSITS AND INVESTMENTS**

At June 30 2007, the carrying book balance of the School's bank account at National City Bank was \$86,925 and the bank balance was \$111,347. Of the bank balance \$100,000 was covered by federal depository insurance and \$11,347 was uninsured and uncollateralized. The School currently does not have any deposit and investment policies that limit the School's allowable deposits or investments and address the specific types of risk to which the School is exposed. The School had no investments at June 30, 2007 or during the fiscal year.

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

<b>Capital Assets</b>				
	<b>Initial Balance</b>			<b>Ending Balance</b>
	<b>June 30, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2007</b>
Instructional Equipment & Furniture	259,509	28,855	11,994	276,370
Office Equipment & Furniture	234,904	8,289	38,616	204,577
Vehicles	7,875	21,782	5,675	23,982
Leasehold Improvements	543,598	0	0	543,598
<b>Total Fixed Assets</b>	<b>1,045,886</b>	<b>58,926</b>	<b>56,285</b>	<b>1,048,527</b>
Less: Accumulated Depreciation	(491,102)	(111,127)	(52,692)	<b>(549,537)</b>
<b>Net Fixed Assets</b>	<b>\$554,784</b>	<b>(52,201)</b>	<b>3,593</b>	<b>\$498,990</b>

**5. SECURITY DEPOSIT**

According to the terms of the School's operating lease for the middle school buildings, the School paid the lessor \$43,375 during fiscal year 2000 as a security deposit for the building lease. This amount is being held by B&A Realty and will be remitted to the School at the end of the lease if all lease commitments are paid.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**6. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School's required contributions for pension obligations to SERS for the fiscal years ended on June 30 2007, 2006, and 2005 were \$28,124, \$22,734, and \$12,221 respectively. 75 percent has been contributed for fiscal year 2007 and 100 percent was contributed for the previous years.

**B. State Teachers Retirement System**

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**6. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

A DBP or CP member with five or more years of 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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$260,579, \$204,160, and \$156,164 respectively; 100 percent has been contributed for fiscal year 2007 and previous fiscal years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**7. POSTEMPLOYMENT BENEFITS**

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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 funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost 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. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$ 18,612 for fiscal year 2007.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**7. POSTEMPLOYMENT BENEFITS (Continued)**

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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 health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$6,669.

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 year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits. Health care benefits are financed on a pay-as-you-go basis. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide a health care reserve equal to at least 150 percent of estimated annual net claims costs.

**8. RISK MANAGEMENT**

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. During fiscal year 2007, the School contracted with Auto Owners Insurance Company for property coverage with a \$2,060,500 limit, Business Income and Extra Expense per Location coverage with \$450,000 limit and general liability coverage with a \$2,000,000 limit. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last three years.

**9. EMPLOYEE MEDICAL AND DENTAL BENEFITS**

According to the School Policy, the School is required to provide Medical and Dental Insurance to all its full time employees. 60% of the monthly premiums for Medical and Dental coverage are to be paid by the School while the remaining 40% are to be deducted from employee's wages.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**10. PURCHASED SERVICES**

Purchased service expenses during fiscal year 2007 were as follows:

<b>Purchased Services</b>	
<b>Type</b>	<b>Amount</b>
Professional Services	\$562,579
Rent and Property Services	\$807,038
Advertising and Communications	\$55,063
Pupil Transportation	\$5,419
Admin/Teacher Travel Expenses	\$3,250
Equipment Lease	\$10,096
Food Services	\$49,310
<b>Total</b>	<b>\$1,492,755</b>

**11. CAPITAL LEASES - LESSEE DISCLOSURE**

During current and prior years, the School entered into several capitalized lease agreements for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets of \$158,455 have been recorded, which represents the present value of the minimum lease payments at time of acquisition. The accumulated depreciation for the capital lease assets was \$82,018 at June 30, 2007. Principal payments for fiscal year 2007 totaled \$44,276. The following is a schedule of the future minimum lease payments required for the capital leases as of June 30, 2007.

<b>Fiscal Year End June 30,</b>	<b>Lease</b>		
	<b>Payments</b>	<b>Interest</b>	<b>Principal</b>
2008	29,936	3,405	26,531
2009	22,112	1,573	20,539
2010	6,531	128	6,403
<b>Total Minimum Lease Payments</b>	<b>58,579</b>	<b>5,106</b>	<b>53,473</b>

**12. LONG TERM LIABILITIES**

The School entered into a promissory note for a line of credit with National City Bank during the fiscal year 2006 in the amount of \$50,000. The School must make minimum interest payments each month. The interest rate is tied to the prime rate and re-indexed as this rate moves. The principal payments made in the fiscal year 2007 totaled \$ 3,781. As of June 30, 2007, the interest rate on the loan was 7 percent and the amount due was \$45,062.

**13. OPERATING LEASES**

The School entered into an operating lease with B&A Realty in fiscal year 1999 for school facilities at 1329 Bethel Rd. On June 30, 2003, the School renegotiated the lease agreement. The new six year lease includes an annual 4% increase that management considers to be a normal cost of living. In fiscal year 2007, the school's monthly rent for three buildings on Bethel Rd. was \$17,478. Required payments for the lease are as follows:



**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**13. OPERATING LEASES (Continued)**

<u>Fiscal year ending</u>	<u>Amount to be paid</u>
June 30, 2008	218,120
June 30, 2009	226,845

In fiscal year 2004, the School also entered into a lease agreement for school facilities on 1070 Morse Road with Breeze Inc. for three years. On May 11, 2006 the lease was extended until June 30, 2009 with an annual 4% increase. In fiscal year 2007 the school's monthly rent for facilities on Morse Rd. was \$32,450. Required payments for the lease are as follows:

<u>Fiscal year ending</u>	<u>Amount to be paid</u>
June 30, 2008	404,976
June 30, 2009	421,175

In August 2006 the School subleased a classroom from Bethel Road facilities to Noble Academy-Columbus, another charter school in its first year. The contracted lease amount was \$1,500 per month. A total income of \$15,225 for the fiscal year 2007 was recorded under miscellaneous local revenues. On August 18, 2007 the sublease agreement was renegotiated to include the first building and common use of the third building with Horizon Science Academy Middle School into the agreement. The term of the sublease was for one year with a monthly rent of \$9,500. The expected rent income for this agreement in fiscal year 2008 is \$99,750.

Also at the beginning of fiscal year 2008, the Middle School split from the School with a new charter as a new entity called Horizon Science Academy Columbus Middle School. With a sublease agreement signed on June 16, 2007, the School leased the second building and common use of the third building to Horizon Science Academy Columbus Middle School for one year with a monthly rent of \$9,500. The expected rent income from the agreement in the fiscal year 2008 is \$114,000.

**14 CONTINGENCIES**

**A. Grants**

The school 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2007.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for Fiscal Year 2007 showed the school was overpaid by \$71,922 which will be deducted from the School's Foundation payments in Fiscal Years 2008 and 2009. This amount has been recorded on the financial statements as Intergovernmental Payable.

**HORIZON SCIENCE ACADEMY- COLUMBUS  
FRANKLIN COUNTY**

**14 CONTINGENCIES (Continued)**

**C. Litigation**

A lawsuit entitled Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

**15. SPONSORSHIP AGREEMENT**

On July 1, 2004, the School signed a sponsorship agreement with Lucas County Educational Services. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. On May 2, 2007 the original contract has been extended until May 30, 2012. According to the contract, the School pays 1% of its foundation revenues to the Sponsor. This rate will be increased to 1.5% as of July 1, 2009. In fiscal year 2007, the schools compensation to the Sponsor was \$36,616.

**16. MANAGEMENT COMPANY AGREEMENT**

The School contracted with Concepts Schools Inc. to serve as the School's Management Company. The contract is renewed automatically every year in one year terms unless the school or the management company decides otherwise. According to the contract the school transfers 10% of the funds received from State. The total management fees paid to Concept Schools in fiscal year 2007 was \$246,091. Considering the financial situation of the School, Concept Schools waived the remaining balance from the fiscal years 2006 and 2007, a total of \$230,814 on June 30, 2007.

**17. SUBSEQUENT EVENTS**

At the beginning of the fiscal year 2008, the Middle School split from the School with a new charter as a new entity called Horizon Science Academy Columbus Middle School. The School currently operates as a High School only at the facilities on 1070 Morse Rd.

In August 2007, the School Board also agreed to lend a start-up loan to Horizon Science Academy Columbus Middle School in the amount of \$100,000 with an annual interest rate of 8.25%. According to the note, the loan will be paid back before the end of the fiscal year 2008.

**18. OTHER COMMITMENTS**

On May 11, 2006 the School Board guaranteed a loan on behalf of Breeze Inc. in the amount of \$2,300,000 for the Morse Road building. The administration sees any possibility of loss due to this commitment is too remote.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board  
Horizon Science Academy of Columbus

We have audited the financial statements of the enterprise fund of the Horizon Science Academy of Columbus, Franklin County, Ohio (School) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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

**Compliance and Other Matters**

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

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*  
Page 2

We noted certain matters that we reported to management of the School in a separate letter dated January 31, 2008.

This report is intended solely for the information and use of management, members of the School's Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Kennedy Cottrell Richards LLC*

Kennedy Cottrell Richards  
January 31, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

Members of the Board  
Horizon Science Academy of Columbus

**Compliance**

We have audited the compliance of the Horizon Science Academy of Columbus, Franklin County, Ohio (School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2007. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School'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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

As described in finding 2007-01 in the accompanying schedule of findings and questioned costs, the School did not comply with the requirements regarding period of availability that are applicable to its Special Education Grant Program. Compliance with such requirements is necessary, in our opinion, for the School to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control over Compliance**

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2007-01 to be a material weakness.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the School's Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards  
January 31, 2008

**HORIZON SCIENCE ACADEMY OF COLUMBUS  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2007**

<u>Federal grantor/Pass through grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass through number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Pass-through State Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	\$ -	\$ 12,449	\$ -	\$ 12,449
National School Breakfast Program	10.553	046763-05PU	53,194	-	53,194	-
National School Lunch Program	10.555	043620 LLP4	122,492	-	122,492	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>175,686</u>	<u>12,449</u>	<u>175,686</u>	<u>12,449</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Pass-through Ohio Department of Education:</i>						
Special Education--Grants to States--Title VI-B	84.027	043620 6BSF	92,882	-	92,882	-
Title I Grants to Local Education Agencies	84.010	043620 C1S1	265,581	-	265,581	-
Safe and Drug Free Schools -- State Grant	84.186	043620 DRS1	2,661	-	2,661	-
Innovative Education Program Strategy	84.298	043620 C2S1	848	-	848	-
Title II-D -- Technology Fund	84.318	043620 TJS1	3,252	-	3,252	-
Title II-A -- Improving Teacher Quality	84.367	043620 TRS1	18,608	-	18,608	-
Total U.S. Department of Education			<u>383,832</u>	<u>-</u>	<u>383,832</u>	<u>-</u>
<b>Total Receipts and Expenditures of Federal Awards</b>			<u>\$ 559,518</u>	<u>\$ 12,449</u>	<u>\$ 559,518</u>	<u>\$ 12,449</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**HORIZON SCIENCE ACADEMY OF COLUMBUS  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2007**

**(1) General**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the Horizon Science Academy of Columbus (School). The School's reporting entity is defined in Note 1 to the School's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies is included on the Schedule.

**(2) Basis of Accounting**

The accompanying Schedule is presented on the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when incurred.



**HORIZON SCIENCE ACADEMY OF COLUMBUS  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505**

**JUNE 30, 2007**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States (IDEA, Part B) CFDA # 84.027  Title I Grants to Local Educational Agencies CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**2007-01 MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS – PERIOD OF AVAILABILITY**

Federal awards may specify a time-period during which the non-Federal entity may use the Federal funds. Where a funding periods is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

In Ohio, programs included in the Ohio Department of Education's Consolidated Application have a project period starting with the application substantially approved date through June 30. In addition, obligations must be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 90 days after the end of the project period. It is management's responsibility to implement internal control procedures capable of ensuring compliance with program requirements.

The School's fiscal year 2007 consolidated application was substantially approved on November 2, 2006. However, we noted the School charged the Special Education Grant Program \$20,477 for obligations incurred prior to November 2, 2006. We also noted the School charged an additional \$15,299 for obligations that were not liquidated within 90 days after the end of the project period. Of this amount, \$13,799 was paid through January 2008 and \$1,500 was subsequently credited by the vendor as a result of incorrect billings. These charges, totaling \$35,776, represent questioned costs.

We recommend that the School implement internal control procedures capable of ensuring that Special Education Grant Program charges represent obligations incurred within the program's period of availability and that program obligations are liquidated in a timely manner.

Official's Response:

The School's management will take necessary actions to avoid such questioned costs in the future by completing the Federal Grants' application on time. We would also like to state that all of the questioned costs under the Special Education Grant Program were the result of time and cash flow constraints only and that all costs were made appropriately for the needs of students with special needs.



**Mary Taylor, CPA**  
Auditor of State

**HORIZON SCIENCE ACADEMY OF COLUMBUS**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 22, 2008**