

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Noble Academy of Columbus
Franklin County
1329 Bethel Rd.
Columbus, Ohio 43220

To the Board of Directors:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Noble Academy of Columbus, Franklin County, Ohio, as of June 30, 2007, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic 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

November 16, 2007

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

The discussion and analysis of Noble Academy- Columbus (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 at the end of our first year of operation were \$246,180
- The School had total operating revenues of \$136,290
- The school also received a private grant for \$230,000
- The School had total operating expenses of \$122,310
- The current liabilities at the end of our first year of operation were \$9,421

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, Noble Academy- Columbus, Inc. 1329 Bethel Rd. Columbus, OH 43220.

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

Table 1 shows the distribution of revenues in Fiscal Year 2007.

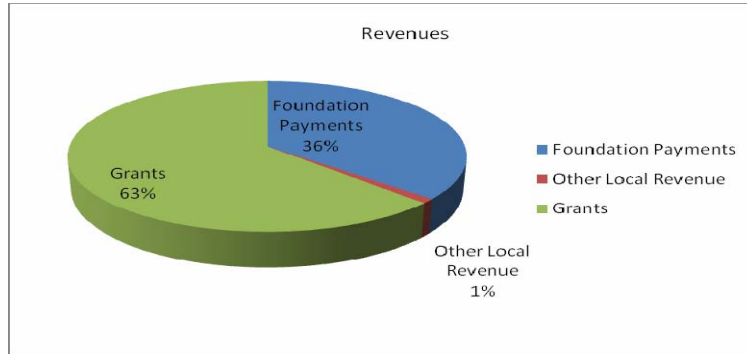


Table 2 shows the distribution of expenses in Fiscal Year 2007.

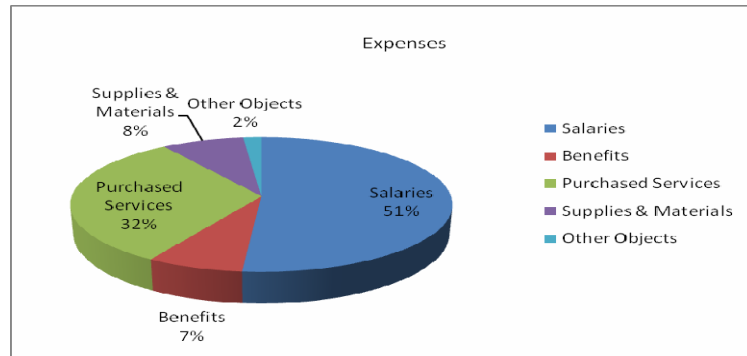


Table 3 shows the Capital Assets net of Accumulated Depreciation.

Capital Assets

	Balance July 1, 2006	Additions	Deletions	Ending June 30, 2007
Furniture and Equipment	\$ -	\$ 10,189	\$ -	\$ 10,189
Total Capital Assets	\$ -	\$ 10,189	\$ -	\$ 10,189
Less: Accumulated Depreciation	\$ -	\$ (1,308)	\$ -	\$ (1,308)
Net Capital Assets	\$ -	\$ 8,881	\$ -	\$ 8,881

NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

<u>Current Assets</u>	
Cash and Cash Equivalents	<u>\$246,720</u>
Total Current Assets	246,720
<u>Non-Current Assets</u>	
Capital Assets (Net of Accumulated Depreciation)	<u>8,881</u>
Total Assets	<u>255,601</u>

LIABILITIES

<u>Current Liabilities</u>	
Accounts Payable	4,166
Accrued Wages	5,175
Payroll Liabilities	<u>80</u>
Total Liabilities	<u>9,421</u>

NET ASSETS

Invested in Capital Assets	8,881
Unrestricted	237,299
Total Net Assets	<u>\$246,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Operational Income/Expense</u>	
Income	
Foundation Payments	\$131,108
Special Education	1,562
Extracurricular Activities	420
Other Local Revenue	3,200
Total Operational Income	136,290
Expense	
Salaries	62,282
Benefits	8,823
Purchased Services	38,323
Supplies & Materials	9,415
Other Objects	2,159
Depreciation Expense	1,308
Total Operational Expense	122,310
 Net Operational Income	 13,980
<u>Non-Operational Income/Expense</u>	
Unrestricted Grant-Other	230,000
Capital Contribution	2,200
Net Non-Operational Income	232,200
Change in Net Assets	246,180
Net Assets at Beginning of Year	<u>0</u>
 Net Assets at End of Year	 <u>\$246,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2007**

<u>Cash Flows from Operating Activities</u>	
Cash Received from State of Ohio	\$132,670
Cash Received from Other Operating Revenues	3,620
Cash Payments to Suppliers for Goods and Services	(43,572)
Cash Payments to Employees for Services	(57,107)
Cash Payments for Employee Benefits	(8,743)
Other Cash Payments	<u>(2,159)</u>
Net Cash Provided by Operating Activities	<u>24,709</u>
<u>Cash Flows from Noncapital Financial Activities</u>	
Other Grants	<u>230,000</u>
Net Cash Provided by Noncapital Financial Activities:	<u>230,000</u>
<u>Cash Flows from Capital and Related Activities</u>	
Payments for Capital Acquisitions	<u>(7,989)</u>
Net Cash Used for Capital and Related Activities	<u>(7,989)</u>
Net Increase in Cash and Cash Equivalents	246,720
Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u><u>\$246,720</u></u>

Non-Cash Activity: The School was donated a copy machine with a fair market value of \$2,200.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY OF 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:**

Operating Income	\$13,980
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	1,308
Changes in Assets and Liabilities	
Increase in Accounts Payable	4,166
Increase in Payroll Liabilities	80
Increase in Wages Payable	<u>5,175</u>
Total Adjustments	<u>10,729</u>
Net Cash Provided by Operating Activities	\$24,709

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Noble 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 K 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. The school filed an application with IRS for it tax exempt status in March 2007 and the application is still pending. 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 approved for operation under contract with the Buckeye Hope Foundation (the Sponsor) for a period of five years commencing March 15, 2006.

The School operates under the direction of a self-appointed five-member Board of Directors. 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 3 personnel for up to 27 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.

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

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. The School 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 of 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

To improve cash management, all cash received by the School is pooled in a central bank account. 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.

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets and Depreciation (Continued)

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.

	<u>Useful Life</u>
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

In FY 2007 the School participated in the State Foundation Program and Special Education Program. Revenues received from State Foundation Program, Special Education Program and other State programs are recognized as operating revenues.

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. At the end of the year employees are awarded \$100 per each unused sick/personal day.

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 the School did not have any restricted net assets.

J. 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.

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

3. DEPOSITS AND INVESTMENTS

At June 30, 2007, the book balance of the School's bank account at National City Bank was \$246,720 and the Bank balance was \$252,427. The School had no investments at June 30, 2007 or during the fiscal year.

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School has no deposit policy for custodial risk. The bank balance was insured by FDIC up to \$100,000.

4. CAPITAL ASSETS

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

Capital Assets

	Balance July 1, 2006	Additions	Deletions	Ending June 30, 2007
Furniture and Equipment	\$ -	\$ 10,189	\$ -	\$ 10,189
Total Capital Assets	\$ -	\$ 10,189	\$ -	\$ 10,189
Less: Accumulated Depreciation	\$ -	\$ (1,308)	\$ -	\$ (1,308)
Net Capital Assets	\$ -	\$ 8,881	\$ -	\$ 8,881

5. 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 its first fiscal year ended June 30, 2007 was \$2,765; 100 percent has been contributed for fiscal year 2007.

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the 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, 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 year ended June 30, 2007 was \$4,058, 100 percent has been contributed for fiscal year 2007.

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

5. DEFINED BENEFIT PENSION PLANS (Continued)

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.

6. 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 \$312 for fiscal year 2007.

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 \$860.

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

6. POSTEMPLOYMENT 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 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.

7. 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 Great American Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$1,000,000 annual aggregate with no deductible. The School had no insurance settlements during fiscal year 2007.

8. 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. In fiscal year 2007 no employees opted to get Health or Dental insurance through the School.

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2007 were as follows:

Type	Amount
Professional Services	\$20,431
Rent and Property Services	15,750
Advertising and Communications	1,946
Pupil Transportation	196
Total	\$38,323

10. OPERATING LEASES

The school entered into a sublease agreement with Horizon Science Academy- Columbus for one classroom on its facilities located at 1329 Bethel Rd. Columbus, OH 43220. The lease amount was \$1,500 per month for one year.

11. CONTINGENCIES

A. Grants

The school did not receive any Federal or State grants in Fiscal Year 2007.

The School received a private grant from Walton Family Foundation in the amount of \$230,000 to be used for furniture, educational materials, instructional equipment, and computers. As of June 30, 2007, the School had spent \$7,989 of this grant.

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

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

11. CONTINGENCIES (Continued)

A. Grants (Continued)

The disbursement of these funds is subject to compliance with terms and conditions specified in the grant agreement 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 Community 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 underpaid by \$112 which will be received in Fiscal Year 2008. No receivable has been recorded, because management considers the amount immaterial.

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 Noble Academy- Columbus cannot presently be determined.

12. SPONSORSHIP AGREEMENT

On March 15, 2006, the School signed a sponsorship agreement with Buckeye Hope Foundation. 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. According to the contract agreed by both parties, the School pays 2% of its foundation revenues to the Sponsor. In fiscal year 2007, the School's compensation to the Sponsor was \$2,653.

13. MANAGEMENT COMPANY AGREEMENT

The School contracted with Concepts Schools, Inc. on March 15, 2006 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 expenses recorded to Concept Schools in fiscal year 2007 amounted to \$13,267.

14. SUBSEQUENT EVENT

On September 15, 2007, the Board approved an \$80,000 loan to the Horizon Science Academy – Cincinnati.



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*

Noble Academy of Columbus
Franklin County
1329 Bethel Rd.
Columbus, Ohio 43220

To the Board of Directors:

We have audited the basic financial statements of Noble Academy of Columbus, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 16, 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 School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the School's management in a separate letter dated November 16, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-002.

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Board of Directors, and the Sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 16, 2007

NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

FINDING NUMBER 2007-001

Material Weakness/Significant Deficiency – GAAP Conversion

The School should have procedures in place to prevent or detect material misstatements for the accurate presentation of the School's financial statements.

The School did not record a donated capital asset at its fair market value of \$2,200. The School recorded the asset at \$10,000. The School also did not report \$3,416 in accounts payable.

In addition, a significant number of changes were required to the cash flow statement, management discussion and analysis, and notes to the financial statements for accuracy and completeness.

We recommend the School ensure the accurate presentation of all financial activity.

The School's financial statements have been adjusted to accurately reflect the proper calculation of the donated capital asset and accounts payable transaction.

Officials' Response: We created the necessary accounts payable accounts in the accounting system to avoid such misstatements in accounts payable.

FINDING NUMBER 2007-002

Noncompliance Citation - Licensed Treasurer or Fiscal Officer and Bonding of Fiscal of Officer

Ohio Revised Code Section 3314.011 states, in part, that every community school established under this chapter shall have a designated fiscal officer and that prior to assuming the duties of fiscal officer, the fiscal officer designated under this section shall be licensed under [section 3301.074 \[3301.07.4\] of the Revised Code](#) or shall complete a mandatory number of continuing education classes, on an ongoing basis, as outlined in this chapter.

Ohio Revised Code Section 3314.011 states that every community school established under this chapter shall have a designated fiscal officer. The Auditor of State may require by rule that the fiscal officer of any community school, before entering upon duties as the fiscal officer of the school, execute a bond in an amount and with surety to be approved by the governing authority of the school, payable to the state, conditioned for the faithful performance of all the official duties required of the fiscal officer. Any such bond shall be deposited with the governing authority of the school, and a copy thereof, certified by the governing authority, shall be filed with the county auditor.

Ohio Admin. Code Section 117-6-07 requires the fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in Ohio Rev. Code Section 3314.011. The bond amount and surety is to be established by a resolution of the governing authority.

The School designated Brian Adams as the Fiscal Officer of the School for fiscal year 2007 through Concepts Schools, Inc., the management company. Mr. Adams contracted with Concepts Schools, Inc. to provide fiscal services. The contract between Mr. Adams and Concepts Schools, Inc., however, ended on October 31, 2006, and Mr. Adams no longer represented the School. The School, therefore, did not have a designated fiscal officer for the period of November 1, 2006 through June 30, 2007.

**NOBLE ACADEMY OF COLUMBUS
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2007-002 (Continued)

Steve Gulkesen, an employee of Horizon Science Academy of Columbus, was performing the bookkeeping (maintaining the accounting ledgers, preparing disbursements, preparing bank reconciliations, and preparing monthly reports) for the School throughout the fiscal year. Mr. Gulkesen did not complete the required continuing education classes and was not bonded.

We recommend the Board of Directors ensure that there is a designated fiscal officer and that they are licensed or have completed the required continuing education classes. We also recommend the Board of Directors ensure the designated fiscal officer is bonded. The approval of the Fiscal Officer should be documented by resolution in the minutes of the Board. The minutes should also document the required bond amount and surety. The bond should be executed prior to the Fiscal Officer assuming the duties.

Officials' Response: The School appointed a certified Treasurer for fiscal year 2008.



Mary Taylor, CPA
Auditor of State

NOBLE 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
DECEMBER 24, 2007**