

Horizon Science Academy Columbus Middle School
Franklin County, Ohio

Single Audit

July 1, 2009 through June 30, 2010
Fiscal Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639
9076 Ohio River Road, Wheelersburg, Ohio Phone: 740.876.9121 Fax: 800.210.2573



Dave Yost • Auditor of State

Board of Directors
Horizon Science Academy Middle School
2350 Morse Road
Columbus, Ohio 43229

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy Middle School, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Middle School is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 7, 2011

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Horizon Science Academy Columbus Middle School
Table of Contents
For the Fiscal Year Ended June 30, 2010

Title	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Change in Net Assets	8
Statement of Cash Flows	9-10
Notes to the Basic Financial Statements	11-20
Schedule of Federal Awards Receipts and Expenditures	21
Notes to the Schedule of Federal Awards Receipts and Expenditures	22
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	23-24
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	25-26
Schedule of Findings – OMB Circular A-133 §.505	27



Independent Auditor's Report

Members of the Board
Horizon Science Academy Columbus Middle School
2350 Morse Road
Columbus, OH 43229

We have audited the accompanying financial statements of the business-type activities of the Horizon Science Academy Columbus Middle School, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements 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.

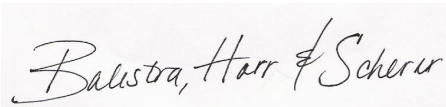
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Horizon Science Academy Columbus Middle School, Franklin County, Ohio, as of June 30, 2010, and the respective changes in financial 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 March 11, 2011 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion 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.

Members of the Board
Horizon Science Academy Columbus Middle School
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the 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. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.

March 11, 2011

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

The discussion and analysis of Horizon Science Academy Columbus Middle School's (the School) financial performance provides an overall review of the financial activities for the School's first fiscal year ended June 30, 2010. 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 2010 are as follows:

- The net assets increased by \$179,812 from \$43,508 to \$223,320
- The School had total operating revenues of \$1,685,825
- The School had total operating expenses of \$2,290,537
- The current liabilities decreased by \$9,216
- The School received Federal and State Grants \$755,105

In fiscal year ended June 30, 2010 the School strengthened its financial position by increasing its net assets by \$179,812. After moving to its new location on Morse Road the School increased its enrollment from 172 to 278. In the 2010 – 2011 school year the School reached its maximum capacity of 330 students. The School's Continuous Improvement rating at the end of its second year also helped the School to reach financial and academic stability. Under the scope of ARRA (American Recovery and Reinvestment Act) grants, the School received a total of \$226,825. Remaining balance of ARRA grants, a total of \$94,044 is available for the School in fiscal year 2011. In the fiscal year the School also received the final allocation of its Start-up grant which was \$150,000.

Using this Financial Report:

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

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 *Statement of Net Assets* and *Statement of Revenues, Expenses, and Change in Net Assets* reflect how the School did financially during fiscal year 2010. 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 can be found on pages 7 and 8 of this report.

The *Statement of Cash Flows* provides information about how the School finances and meets the cash flow needs of its operations. The School uses enterprise presentation for all of its activities. The *Statement of Cash Flows* can be found on page 9 of this report.

HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The following table provides a comparison of the School's Net Assets in fiscal years 2010 and 2009.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Cash	72,159	37,640
Other Current Assets	53,259	750
Capital Assets	285,245	205,873
Total Assets	<u>\$ 410,663</u>	<u>\$ 244,263</u>
Liabilities		
Current Liabilities	181,639	190,855
Long Term Liabilities	5,704	9,900
Total Liabilities	<u>\$ 187,343</u>	<u>\$ 200,755</u>
Net Assets	<u><u>\$ 223,320</u></u>	<u><u>\$ 43,508</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the School's net assets totaled \$223,320. Current assets represent cash and intergovernmental receivables. Liabilities of \$187,343 represent the amount due at June 30, 2010 for professional services provided, payroll, and capital leases.

The Statement of Revenues, Expenses and Change in Net Assets:

The Statement of Revenues, Expenses and Change in Net Assets shows the operating and non-operating activities took place during the fiscal year. The following table is a summary of the Statement of Revenues, Expenses and Change in Net Assets for the fiscal year ended June 30, 2010, as compared to June 30, 2009.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

	June 30, 2010	June 30, 2009
<u>Operational Income/Expense</u>		
Income		
Foundation Payments	1,648,598	1,070,996
Instructional Fees	5,138	4,803
Food Services	2,570	2,575
Other Local Revenue	29,519	17,396
Total Operational Income	1,685,825	1,095,770
Expense		
Salaries	1,002,136	730,871
Benefits	268,552	171,042
Purchased Services	737,566	423,523
Supplies & Materials	143,484	181,298
Other Objects	83,312	67,517
Depreciation Expense	55,487	60,452
Total Operational Expense	2,290,537	1,634,703
Net Operational Loss	(604,712)	(538,933)
<u>Non-Operational Income/Expense</u>		
Federal Grants	748,116	659,270
State Grants	6,989	5,000
Contributions and Donations	30,350	0
Interest on Notes	(931)	(1,179)
Loss from Disposal of Assets	0	(6,922)
Total Non-Operational Income (Expense)	784,524	656,169
<u>Net Assets</u>		
Change in Net Assets	179,812	117,236
Net Assets at Beginning of Year	43,508	(73,728)
Net Assets at End of Year	\$ 223,320	\$ 43,508

Foundation Revenues, Federal Grants, Employee Salaries and Benefits and Purchased Services increased significantly due to 60% increase in enrollment. The decrease in Supplies and Materials is due to the significant startup purchases such as textbooks made in the fiscal year 2009. In fiscal year 2009 the School spent approximately \$90,000 for textbooks whereas it only spent \$1,500 in fiscal year 2010.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Capital Assets:

As of June 30, 2010, Horizon Science Academy Columbus Middle School had \$285,245 invested in capital assets such as office equipment, school furniture, and computers net of depreciation. The following table is a summary of Capital Assets as of June 30, 2010.

Capital Assets				
	Balance July 1, 2009	Additions	Deletions	Ending June 30, 2010
Furniture and Equipment	\$ 223,535	\$ 119,872	-	\$ 343,407
Facility Improvements	-	14,987	-	14,987
School Vehicle	9,444	-	-	9,444
Total Fixed Assets	232,979	134,859	-	367,838
Less: Accumulated Depreciation	(27,106)	(55,487)	-	(82,593)
Net Fixed Assets	\$ 205,873	\$ 79,372	-	\$ 285,245

For additional information regarding capital assets, please see Note 4 in the Notes to the Basic Financial Statements.

Budget

Pursuant to the Sponsor's contract with the Governing Authority, the School prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. The School will from time to time adopt budget revisions as necessary.

Restrictions and Other Limitations

The future stability of the School is not without challenges. The School does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

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 by mail at Concept Schools South Ohio Regional Office, 2356 Morse Rd. Columbus, OH 43235 or by phone at 614- 428-7656.

HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY

Statement of Net Assets
For the Fiscal Year Ended June 30, 2010

ASSETS

Current Assets	
Cash and Cash Equivalents	72,159
IG Receivable	53,259
Total Current Assets	125,418
Non-Current Assets	
Capital Assets (Net of Accumulated Depreciation)	285,245
Total Assets	410,663

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts Payable	57,463
Accrued Wages	84,083
Payroll Liabilities	35,897
Capital Lease	4,196
Total Current Liabilities	181,639
Long Term Liabilities	
Capital Lease	5,704
Total Liabilities	187,343

NET ASSETS

Invested in Capital Assets, Net of Related Debt	275,345
Unrestricted	(52,025)
Total Net Assets	\$ 223,320

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY

**Statement of Revenues, Expenses
and Change in Net Assets
For the Fiscal Year Ended June 30, 2010**

Operational Income/Expense

Income

Foundation Payments	1,648,598
Instructional Fees	5,138
Food Services	2,570
Other Local Revenue	29,519

Total Operational Income 1,685,825

Expense

Salaries	1,002,136
Benefits	268,552
Purchased Services	737,566
Supplies & Materials	143,484
Other Objects	83,312
Depreciation Expense	55,487

Total Operational Expense 2,290,537

Net Operational Loss (604,712)

Non-Operational Income/Expense

Federal Grants	748,116
State Grants	6,989
Contributions and Donations	30,350
Interest on Notes	(931)

**Total Non-Operational Income
(Expense)** 784,524

Net Assets

Change in Net Assets	179,812
Net Assets at Beginning of Year	43,508
Net Assets at End of Year	<u>\$ 223,320</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENT

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

**Statement of Cash Flows
For Fiscal Year Ended June 30, 2010**

Cash Flows from Operating Activities	
Cash Received from State of Ohio	1,626,262
Cash Received from Other Operating Revenues	37,227
Cash Payments to Suppliers for Goods and Services	(928,552)
Cash Payments to Employees for Services	(988,858)
Cash Payments for Employee Benefits	(236,898)
Other Cash Payments	(83,312)
Net Cash Used for Operating Activities	(574,131)
Cash Flows from Noncapital Financing Activities	
Federal Grants Received	710,996
State Grants Received	6,989
Contributions and Donations	30,350
Payments for Interest on Notes	(931)
Net Cash Provided by Noncapital Financing Activities:	747,404
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(134,859)
Payments for Capital Leases	(3,895)
Net Cash Used for Capital and Related Financing Activities	(138,754)
Net Increase in Cash and Cash Equivalents	34,519
Cash and Cash Equivalents at Beginning of Year	37,640
Cash and Cash Equivalents at End of Year	\$ 72,159

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY

Statement of Cash Flows

For Fiscal Year Ended June 30, 2010

(Continued)

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

Operating Loss	(604,712)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	55,487
Decrease in Accounts Payable	(47,502)
Increase in IG receivable	(22,336)
Increase in Accrued Wages	13,278
Increase in Payroll Liabilities	31,654
Total Adjustments	30,581
Net Cash Used for Operating Activities	<u>\$ (574,131)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Horizon Science Academy Columbus Middle School, (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 eight 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 has been approved 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 approved for operation under contract with Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing on March 14, 2007.

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 fiscal year 2010 the School employed 31 personnel for up to 278 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 Change 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 MIDDLE SCHOOL
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 Change 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 traditional 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, except House Bill 364, which took effect April 8, 2003, added Ohio Rev. Code Section 3314.03 (11)(d), which states that community schools must comply with Ohio Rev. Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

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 date less than 90 days is considered a cash equivalent and any investment with a maturity date greater than 90 days is considered an investment. The School did not have any investments during the fiscal year 2010.

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 \$1,000 for inventory assets and \$10,000 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.

All capital assets are depreciated. Furniture, computers, office equipment, and vehicles are depreciated using straight-line method over the following estimated useful lives. Improvements to capital assets are depreciated using straight-line method 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 MIDDLE SCHOOL
FRANKLIN COUNTY**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets and Depreciation (Continued)

	<u>Useful Life</u>
Improvements	3 to 10 years
Buildings	30 years
Heavy Duty Office or Classroom Furniture	10 years
Computers and Other Electronic Equipment	3 to 5 years
Vehicles	3 to 10 years

F. Intergovernmental Revenues

In FY 2010 the School participated in the State Foundation Program, State Poverty Based Assistance Program and Special Education Program. Revenues received from these and other State programs are recognized as operating revenues. Amounts awarded under these programs in the fiscal year 2010 totaled \$1,648,598.

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 in fiscal year 2010 totaled \$755,105.

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 its employees \$125 per day for each unused sick/personal days.

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, 2010 the School did not have any restricted net assets.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
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

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. The institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of governmental securities valued at least 105% of the total value of public monies on deposit at the institution. The School's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

On June 30, 2010, the carrying book balances of the School's bank accounts at Chase Bank and National City Bank were \$71,616 and \$543 respectively and the cleared bank balances were \$108,234 and \$543. The bank balances were insured by FDIC up to \$250,000. The School had no investments at June 30, 2010 or during the fiscal.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

Capital Assets				
	Balance July 1, 2009*	Additions	Deletions	Ending June 30, 2010
Furniture and Equipment	\$ 223,535	\$ 119,872	-	\$ 343,407
Facility Improvements	-	14,987	-	14,987
School Vehicle	9,444	-	-	9,444
Total Fixed Assets	232,979	134,859	-	367,838
Less: Accumulated Depreciation	(27,106)	(55,487)	-	(82,593)
Net Fixed Assets	\$ 205,873	\$ 79,372	-	\$ 285,245

*Certain reclassifications were made for consistency in reporting. There was no effect on net assets.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 43215-3746.

Funding Policy – 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 2010, 12.78 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 by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,255, \$5,723, and \$9,583, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System

Plan Description – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.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 a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 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, 2010, 2009, and 2008 were \$132,433, \$94,180, and \$50,575, respectively; 69 percent has been contributed for the fiscal year 2010 and 100 percent has been contributed for 2009 and 2008.

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 Employees Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

6. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

6. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$210, \$1,709, and \$3,861 respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$347, \$270, and \$452, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description – The School contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$9,449, \$6,727, and \$3,613, respectively; 69 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for 2009 and 2008.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

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 2010, the School contracted with Great American Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate with \$1,000 deductible. The School did not make any claims in the fiscal year.

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

According to the School's 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 contributed by the School while the remaining 40% are deducted from employees' wages.

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2010 were as follows:

Purchased Services	
Type	Amount
Instructional Services	29,241
Other Professional Services	67,908
Management Fees	174,953
Rent and Property Services	423,894
Contracted Food Services	11,200
Advertising and Communications	20,240
Pupil Transportation	2,285
Extra-Curricular Activities	6,811
Staff Travel Expenses	1,034
Total	\$ 737,566

10. CAPITAL LEASES PAYABLE

The School entered into a capitalized lease agreement for a copy machine/printer in September 2007. The lease meets 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 \$19,950 have been recorded, which represents the present value of the minimum lease payments at time of acquisition. The accumulated depreciation for the capital lease asset at the end of the fiscal year was \$11,305. Principal payments for fiscal year 2010 totaled \$3,895. The following is a schedule of the future minimum lease payments required for the capital leases as of June 30, 2010.

	Total Payment	Interest	Principal
2011	4,794	598	4,196
2012	4,794	274	4,520
2013	1,199	15	1,184
Total Minimum Lease Payments	\$ 10,787	\$ 887	\$ 9,900

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

11. OPERATING LEASES

In August 2009, the School entered into a lease agreement with 2350 Morse LLC for ten years. 2350 Morse LLC is a subsidiary of New Plan Learning which is an Ohio based non-profit company specifically established to provide facility development and management services for community schools. The School's monthly rent for the fiscal year was \$30,000 with an annual increase of 3%. In the fiscal year 2010, the School paid a total rent of \$269,472 per the contract. The required lease payments for the following three years will be as follows:

Sep 2010 – Aug 2011	\$370,800
Sep 2011 – Aug 2012	\$381,924
Sep 2012 – Aug 2013	\$293,382

12. 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, 2010.

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. According to the FTE review made for fiscal year 2010, the School was underpaid by \$22,336. This amount is reflected under Intergovernmental Receivables in the Statement of Net Assets.

13. SPONSORSHIP AGREEMENT

On March 14, 2007, the School signed a sponsorship agreement with Buckeye Community Hope Foundation (the Sponsor) for five years. 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, the School pays 3% of its foundation revenues to the Sponsor. In fiscal year 2010, the School's compensation to the Sponsor was \$48,751.

**HORIZON SCIENCE ACADEMY COLUMBUS MIDDLE SCHOOL
FRANKLIN COUNTY**

14. 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 12% of the funds received from State. The total management fees paid to Concept Schools in fiscal year 2010 was \$208,540.

Horizon Science Academy Columbus Middle School
Franklin County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 78,241	\$ 6,948	\$ 78,241	\$ 6,948
School Breakfast Program	3L70	10.553	25,673	-	25,673	-
Total Nutrition Cluster			103,914	6,948	103,914	6,948
Total United States Department of Agriculture			103,914	6,948	103,914	6,948
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	200,349	-	200,349	-
Title I Grants to Local Educational Agencies, ARRA	3DK0	84.389	81,028	-	85,674	-
Total Title I, Part A Cluster			281,377	-	286,023	-
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	21,194	-	22,501	-
Special Education - Grants to States, ARRA	3DJ0	84.391	34,225	-	34,225	-
Total Special Education Cluster			55,419	-	56,726	-
<i>Safe and Drug-Free Schools and Communities -</i>						
State Grants	3D10	84.186	1,386	-	1,446	-
Charter Schools	3T40	84.282	150,000	-	142,123	-
Education Technology State Grants	3S20	84.318	96	-	1,794	-
Improving Teacher Quality State Grants	3Y60	84.367	7,609	-	7,609	-
State Fiscal Stabilization Fund (SFSF) - Education Grants, ARRA	GRF	84.394	111,572	-	111,572	-
Total United States Department of Education			607,459	-	607,293	-
Total Federal Financial Assistance			\$ 711,373	\$ 6,948	\$ 711,207	\$ 6,948

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

Horizon Science Academy Columbus Middle School
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

NOTE C – FOOD DONATION

Program regulations do not require the School to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received as assessed by the U.S. Department of Agriculture.



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

Members of the Board
Horizon Science Academy Columbus Middle School
2350 Morse Road
Columbus, Ohio 43229

We have audited the financial statements of the business-type activities of the Horizon Science Academy Columbus Middle School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 11, 2011. 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 for the purpose of opining 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

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

Members of the Board

Horizon Science Academy Columbus Middle School

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

Page 2

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, Members of the Board, the Community School's sponsor, federal awarding agencies, pass-through entities, and others within the School. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

March 11, 2011



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board
Horizon Science Academy Columbus Middle School
2350 Morse Road
Columbus, Ohio 43231

Compliance

We have audited the compliance of Horizon Science Academy Columbus Middle School (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Horizon Science Academy Columbus Middle School's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the Horizon Science Academy Columbus Middle School complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

Members of the Board

Horizon Science Academy Columbus Middle School

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of the internal control over compliance 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Members of the Board, the Community School's sponsor, federal awarding agencies, and pass-through entities, and others within the School. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
March 11, 2011

Horizon Science Academy Columbus Middle School
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2010

Summary of Auditor's Results

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title I Cluster: Title I - CFDA #84.010 Title I (ARRA) – CFDA #84.389 State Fiscal Stabilization Fund (SFSF) – Education Grants (ARRA) - CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

HORIZON SCIENCE ACADEMY MIDDLE SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 5, 2011