



**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Horizon Science Academy of Toledo
Lucas County
425 Jefferson Avenue
Toledo, Ohio 43604-1060

To the Governing Board:

We have audited the accompanying basic financial statements of Horizon Science Academy of Toledo, Lucas County, Ohio (the School), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2005, and the changes in its 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 29, 2006, 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 the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management, regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

November 29, 2006

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of Horizon Science Academy of Toledo, Inc.'s (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2005. Readers should also review the financial statements and notes to enhance their understanding of the School's financial performance. The School received its charter from Lucas County Education Service Center (the Sponsor) for a period of five years commencing March 11, 2004. However, we are only presenting data for the first full year of operations starting in fiscal year 2005.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- Total net assets were \$(75,805) in fiscal year 2005.
- Total revenue was \$1,818,399 in fiscal year 2005.
- Similarly, total operating expenses were \$1,890,763 in fiscal year 2005.
- Current liabilities were \$381,752 and current assets were \$16,214 in fiscal year 2005.

Table 1 provides a summary of the School's net assets as of June 30, 2005.

Using this Financial Report

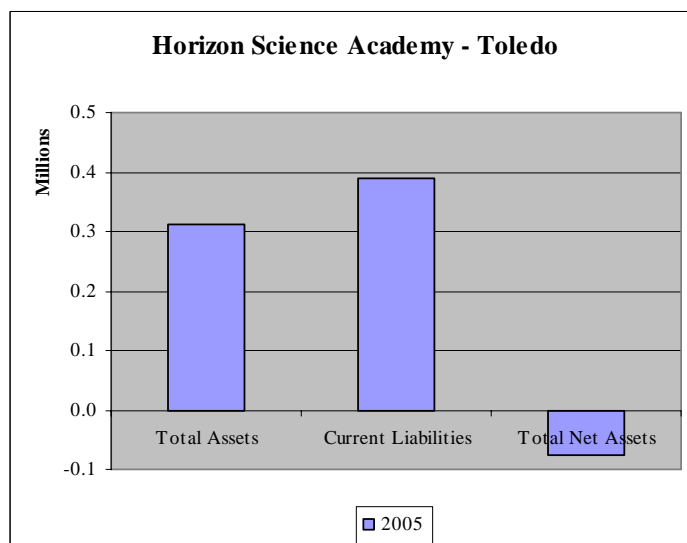
This annual report consists of Management Discussion and Analysis, a series of financial statements, and notes to those statements.

Reporting the Academy as a Whole

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* reflect how the School did financially during fiscal year 2005. 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.

Table 1 Net Assets	
	Business Type Activities
	2005
<u>Assets:</u>	
Cash and Other Current Assets	16,214
Capital Assets, Net	296,133
Total Assets	312,347
<u>Liabilities:</u>	
Current Liabilities	381,752
Long Term Liabilities	6,400
Total Liabilities	388,152
<u>Net Assets:</u>	
Invested in Capital Assets	296,133
Unrestricted	(371,938)
Total Net Assets	(\$75,805)



**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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, changes in technology, required educational programs, and other factors.

The School uses enterprise fund presentation for all of its activities.

Cash and other current assets were \$16,214 in 2005. This is a result of a significant startup costs getting the school operational for its first year.

In addition, Capital Assets, Net, were \$296,133 in 2005. This is due to the purchase of computer and related equipment and other office equipment/furniture less depreciation on all assets. In addition, the school made improvements to its new building facility.

Liabilities were \$388,152 due to the need to finance many of the building improvements and purchase equipment and supplies for the beginning of the school year.

Total net assets were \$(75,805). This negative equity was primarily due to new lease agreements and loans from the management company entered into for additional office equipment/furniture.

Table 2 shows Changes in Net Assets for fiscal year 2005.

The revenue generated by the school is almost entirely dependent on per-pupil allotment given by the State foundation program and from federal entitlements programs. Foundation payments made up 81% of revenues for the School in fiscal year 2005.

Capital Assets

At the end of fiscal year 2005, the School had \$296,133 net of depreciation invested in capital assets. The notes to the basic financial statements provide additional information about the School's capital assets.

Table 2
Changes in Net Assets for Business Type Activities

	Business Type Activities 2005
<u>Operating Revenues</u>	
Foundation	\$ 1,462,616
Extracurricular	11,300
Instructional Fees	30,031
Other Operating Revenue	7,858
<u>Non-Operating Revenues(Expenses)</u>	
Contributions	150,001
Fiscal Charges	(3,441)
Grants	156,593
Total Revenues	1,814,958
<u>Operating Expenses</u>	
Salaries	875,798
Fringe Benefits	164,817
Purchased Services	637,154
Materials and Supplies	132,141
Depreciation	59,616
Other Operating Expenses	21,237
Total Expenses	1,890,763
Total Increase in Net Assets	(\$75,805)

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

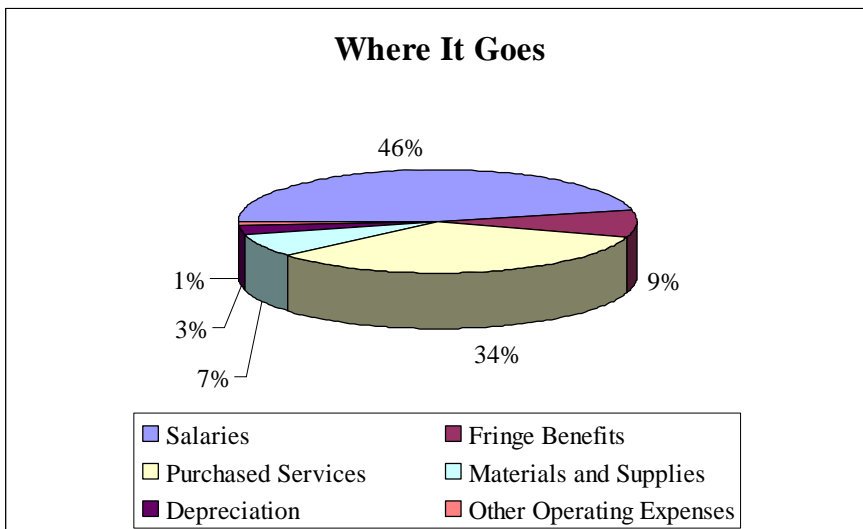
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Liabilities

The School entered into a promissory note with Horizon Science Academy – Cleveland on March 18, 2005, in the amount of \$200,000, at an interest rate of 6 percent. The note was used to pay for general operations of the School. The remaining principal amount of \$172,865 is reported as notes payable on the Statement of Net Assets. For the fiscal year ending June 30, 2005, the School elected to pay employees for unused leave, which amounted to \$6,400, which has been recorded as a non-current liability on the Statement of Net Assets.

**Contacting the School's
Financial Management**

This financial report is designed to provide citizens, taxpayers, and 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 Amanmyrat Gurdov, Treasurer/Business Manager, Horizon Science Academy of Toledo, Inc., 425 Jefferson Avenue, Toledo, OH 43604-1060.



**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 9,234
Intergovernmental Receivables	6,980
<i>Total Current Assets</i>	<u>16,214</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>296,133</u>
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<i>Total Assets</i>	<u>312,347</u>
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Liabilities

Current Liabilities:

Accounts Payable	100,307
Accrued Wages Payable	62,128
Notes Payable	172,865
Accrued Interest Payable	576
Intergovernmental Payable	<u>45,876</u>
<i>Total Current Liabilities</i>	381,752

Non-Current Liabilities:

Due Within One Year	<u>6,400</u>
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<i>Total Liabilities</i>	<u>388,152</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	296,133
Unrestricted	<u>(371,938)</u>

<i>Total Net Assets</i>	<u><u>\$ (75,805)</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Operating Revenues	
Foundation Payments	\$ 1,397,762
Disadvantaged Pupil Impact Aid	27,491
Special Education	37,363
Extracurricular	11,300
Classroom Fees	30,031
Other Revenues	7,858
	<hr/>
<i>Total Operating Revenues</i>	<i>1,511,805</i>
	<hr/>
Operating Expenses	
Salaries	875,798
Fringe Benefits	164,817
Purchased Services	637,154
Materials and Supplies	132,141
Depreciation	59,616
Other	21,237
	<hr/>
<i>Total Operating Expenses</i>	<i>1,890,763</i>
	<hr/>
<i>Operating Loss</i>	<i>(378,958)</i>
	<hr/>
Non-Operating Revenues and Expenses	
Federal Grants	153,593
State Grants	3,000
Contributions and Donations	150,001
Interest and Fiscal Charges	(3,441)
	<hr/>
<i>Total Non-Operating Revenues and Expenses</i>	<i>303,153</i>
	<hr/>
<i>Change in Net Assets</i>	<i>(75,805)</i>
	<hr/>
<i>Net Assets Beginning of Year</i>	<i></i>
	<hr/>
<i>Net Assets End of Year</i>	<i>\$ (75,805)</i>
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Increase (Decrease) in Cash and Cash Equivalents:

<u>Cash Flows from Operating Activities:</u>	
Cash Received from State of Ohio	\$ 1,484,879
Cash Received from Other Operating Revenues	49,189
Cash Payments to Suppliers for Goods and Services	(668,988)
Cash Payments to Employees for Services	(791,174)
Cash Payments for Employee Benefits	(164,280)
Other Cash Payments	<u>(21,237)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(111,611)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Federal Grants Received	153,593
State Grants Received	3,000
Contributions and Donations	<u>150,001</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>306,594</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(355,749)
Proceeds from Notes	200,000
Principal Payments	(27,135)
Interest Payments	<u>(2,865)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(185,749)</u>
 <i>Net Increase in Cash and Cash Equivalents</i>	 <u>9,234</u>
 <i>Cash and Cash Equivalents at Beginning of Year</i>	 <u> </u>
 <i>Cash and Cash Equivalents at End of Year</i>	 <u><u>\$ 9,234</u></u>

(Continued)

HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

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

Operating Loss	\$ (378,958)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	59,616
Changes in Assets and Liabilities:	
(Increase) in Intergovernmental Receivable	(6,980)
Increase in Accounts Payable	100,307
Increase in Compensated Absences	6,400
Increase in Accrued Wages Payable	62,128
Increase in Intergovernmental Payable	<u>45,876</u>
<i>Total Adjustments</i>	<u>267,347</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (111,611)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Horizon Science Academy of Toledo, 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 nine through twelve. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

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

The School was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing March 11, 2004.

The School operates under the direction of a five-member Governing Board. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board of Trustees controls the School's facility, which is currently staffed by 32 full and part time personnel who provide services to up to 243 students during the year.

The Governing Board has entered into a management contract with Concept Schools, a for-profit corporation, for management services and operation of its school. In exchange for its services, Concept Schools receives ten percent of state funds. (See Note 14)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities 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 and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

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

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. 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, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

E. 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 2005.

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. 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 maintains a capitalization threshold of one thousand dollars. 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.

F. 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. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

Useful Life:

Furniture and Fixtures	10 years
Computers and Equipment	3 - 10 years
Leasehold Improvements	5 - 10 years (life of lease)

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program, Special Education Program, and the Federal Charter School Subgrant Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating 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.

H. 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.

I. Compensated Absences

School policy indicates that all leave earned by employees must be used in the current period and balances are not carried forward. For the fiscal year ending June 30, 2005, the School elected to pay employees for unused leave, which amounted to \$6,400, which has been recorded as a non-current liability as of June 30, 2005.

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. Net Assets

Net assets represent the difference between assets and liabilities. 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.

K. 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

At June 30, 2005, the bank balance was \$54,367. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2005, none of the bank balance was exposed to custodial risk as discussed below, and all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005:

	Balance 1/1/04	Additions	Deletions	Balance 6/30/05
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment		286,256		286,256
Leasehold Improvements		69,493		69,493
Total Capital Assets				
Being Depreciated		355,749		355,749
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment		(45,717)		(45,717)
Leasehold Improvements		(13,899)		(13,899)
Total Accumulated Depreciation		(59,616)		(59,616)
Total Capital Assets				
Being Depreciated, Net		296,133		296,133

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

5. RECEIVABLES

Receivables at June 30, 2005, consisted of an intergovernmental receivable for overpayment to the State Teachers Retirement System in the amount of \$6,980. The receivable is considered collectible in full and will be received within one year.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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.

For the fiscal year ended June 30, 2005, 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2005, was \$18,937; 93 percent has been contributed for fiscal year 2005. The unpaid portion in the amount of \$683 is reported on the Statement of Net Assets as an Intergovernmental Payable.

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 administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statement and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or on an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DCP 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 DCP

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

6. DEFINED BENEFIT PENSION PLANS – (Continued)

and the DBP. In the CP, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DBP into the DCP or the CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, 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.

The School's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2005, was \$97,223; 92 percent has been contributed for fiscal year 2005. The unpaid portion in the amount of \$8,015 is reported on the Statement of Net Assets as an Intergovernmental Payable.

7. POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan 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 costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$8,613 for fiscal year 2005.

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

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

7. POSTEMPLOYMENT BENEFITS – (Continued)

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

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$4,969.

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

8. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School contracted with Auto Owner Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$1,000,000 annual aggregate and no deductible.

B. Workers Compensation

The School pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

9. EMPLOYEE MEDICAL AND DENTAL BENEFITS

The School has contracted with a private carrier to provide employee medical/surgical benefits. The School pays 60% of the monthly premium and the employee is responsible for the remaining 40%. The School has also contracted with private carriers to provide dental coverage. The School pays 60% of the monthly premium and the employee is responsible for the remaining 40%.

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

10. PURCHASED SERVICES

Purchased service expenses during fiscal year 2005 were as follows:

Professional Services	\$	76,127
Management Fees		94,900
Rent and Property Services		318,289
Travel		1,428
Advertising and Communications		33,391
Pupil Transportation		93,940
Other Purchased Services		19,079
Total Purchased Services	<u>\$</u>	<u>637,154</u>

11. NOTES PAYABLE

Note Payable Activity During 2005 was as follows:

	Balance at 01/01/04	Additions	Reductions	Balance at 06/30/05
Note Payable - HSA - Cleveland		\$ 200,000	\$ 27,135	\$ 172,865

The School entered into a promissory note with Horizon Science Academy – Cleveland on March 18, 2005, in the amount of \$200,000, at an interest rate of 6 percent. The note was used to pay for general operations of the School. The School is required to make consecutive payments of four (4) consecutive payments of \$10,000, eight (8) payments of \$21,137, and a final payment of \$19,450, due May 10, 2006.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending June 30:	HSA - Cleveland
2006	<u>\$ 177,405</u>

12. OPERATING LEASES

The School has entered into a sub-lease for a building facility for the period July 1, 2004, through June 30, 2009, with Concept Schools. Payments made totaled \$286,759 for the fiscal period. The School has the option to renew the lease at an adjusted rate at the end of the contract period.

The School entered into a lease for two copiers with Ikon Financial Services. The copiers have a lease period of August 3, 2004, through August 2, 2009. Payments made totaled \$5,079 for the period ended June 30, 2005.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2005.

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

12. OPERATING LEASES – (Continued)

Fiscal Year Ending June 30,	Facility Lease	Copier Lease
2006	\$ 290,120	\$ 5,541
2007	290,120	5,541
2008	290,120	5,541
2009	290,120	5,541
2010		462
Total minimum lease payments	\$ 1,160,480	\$ 22,626

13. 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 funds. 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, 2005.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. ODE has conducted a review of the School's 2005 student enrollment data and FTE calculations. For fiscal year 2005, the results of this review resulted in a decrease of \$22,263 which is reported as an intergovernmental payable on the Statement of Net Assets.

14. MANAGEMENT AGREEMENT

The School entered into a one-year contract, effective September 1, 2004, through August 31, 2005, with Concept Schools for educational management services for all of the management, operation, and administration at the School. This contract renewed for an additional one year on September 1, 2005. In exchange for its services, Concept Schools receives 10% of state funds. The amount paid to Concept Schools for fiscal year 2005, for management fees, totaled \$94,900. Terms of the contracts require Concept Schools to provide the following:

- A. Human Resources;
- B. Professional Development for School Board;
- C. Professional Development for School Administrators and Teachers;
- D. Accreditation and Recognition (including contract renewal);

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

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

14. MANAGEMENT AGREEMENT – (Continued)

- E. Strategic Planning;
- F. Grant Writing;
- G. After School Program Design;
- H. Technology Support;
- I. Database Management (student related);
- J. Facility Management;
- K. Marketing Materials;
- L. Curriculum Development;
- M. Public Relation Services, and;
- N. Purchasing Services

15. MANAGEMENT COMPANY EXPENSES

Total payments to Concept Schools amounted to \$625,776. Payments by category are as follows:

Management Fees	\$94,900
Rent	286,759
Other Professional	9,150
Capital Outlay	234,916
Reimbursements	51
Total	<u>\$625,776</u>

16. RELATED PARTIES

The Board members for the School are also Board members for other Horizon Science Academy Schools that are managed by the same management company, Concept Schools.

17. LITIGATION

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on Horizon Science Academy of Toledo is not presently determinable.

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**Auditor of State
Betty Montgomery**

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

Horizon Science Academy of Toledo
Lucas County
425 Jefferson Avenue
Toledo, Ohio 43604-1060

To the Governing Board:

We have audited the basic financial statements of Horizon Science Academy of Toledo, Lucas County, Ohio (the School) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 29, 2006. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated November 29, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2005-001, 2005-002, 2005-003, 2005-004, and 2005-005. In a separate letter to the School's management dated November 29, 2006, we reported another matter related to noncompliance we deemed immaterial.

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

Horizon Science Academy of Toledo
Lucas County
Independent Accountants' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of Management, the Governing Board, and Sponsor. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 29, 2006

**HORIZON SCIENCE ACADEMY OF TOLEDO
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

During fiscal year 2005, the Horizon Science Academy of Toledo issued payments to Citizenship and Immigration Services and to Skelton, McQuiston, Gounaris & Henry, Attorneys at Law, for the purpose of assisting Ayse Celik, who was not an employee of the Academy, with the cost of Citizenship and Immigration applications and associated legal fees, in the amounts of \$97.50 and \$200, respectively.

Ohio Rev. Code 3314.01(B) states in part that a community school is a public school. . . and is part of the state's program of education. Because Ayse Celik is neither an employee nor a student, there is no demonstrable connection between these payments and the state's program of education.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Ayse Celik, Bunyamin Koz, Business Manager, and Mustafa Yazici, Director, jointly and severally in the amount of \$297.50.

We recommend the Academy only pay expenditures that relate to the Academy's normal activities and operations.

Officials' Response

Management responded, via legal counsel Nicola, Gudbranson & Cooper, LLC that paying these fees is no different than paying relocation expenses for new employees.

Auditor of State's Conclusion

While moving expenses would be considered an incidental benefit to the family, payment of non-employee fees is more than an incidental benefit, it is a direct benefit to the individual.

FINDING NUMBER 2005-002

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

During fiscal year 2005, the Horizon Science Academy of Toledo issued payments to Citizenship and Immigration Services and to Skelton, McQuiston, Gounaris & Henry, Attorneys at Law, for the purpose of assisting a dependent child of Nuh Atilla Celik, a teacher at the Academy, with the cost of Citizenship and Immigration applications and associated legal fees, in the amounts of \$97.50 and \$200, respectively. There is no authority that allowed these payments to be made, nor does the nature of the expense relate to the Academy’s normal activities and operations.

Ohio Rev. Code 3314.01(B) states in part that a community school is a public school. . . and is part of the state’s program of education. Because Nuh Atilla Celik is neither an employee nor a student, there is no demonstrable connection between these payments and the state’s program of education.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Nuh Atilla Celik, Father of dependent child, Bunyamin Koz, Business Manager, and Mustafa Yazici, Director, jointly and severally in the amount of \$297.50.

We recommend the Academy only pay expenditures that relate to the Academy’s normal activities and operations.

Officials’ Response

Management responded, via legal counsel Nicola, Gudbranson & Cooper, LLC that paying these fees is no different than paying relocation expenses for new employees.

Auditor of State’s Conclusion

While moving expenses would be considered an incidental benefit to the family, payment of non-employee fees is more than an incidental benefit, it is a direct benefit to the individual.

FINDING NUMBER 2005-003

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

During fiscal year 2005, the Horizon Science Academy of Toledo issued payments to Citizenship and Immigration Services and to Skelton, McQuiston, Gounaris & Henry, Attorneys at Law, for the purpose of assisting Mucella Kandemir, who was not an employee of the Academy, with the cost of Citizenship and Immigration applications and associated legal fees, in the amounts of \$195 and \$200 respectively. There is no authority that allowed these payments to be made, nor does the nature of the expense relate to the Academy’s normal activities and operations.

Ohio Rev. Code 3314.01(B) states in part that a community school is a public school. . . and is part of the state’s program of education. Because Mucella Kandemir is neither an employee nor a student, there is no demonstrable connection between these payments and the state’s program of education.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mucella Kandemir, Bunyamin Koz, Business Manager, and Mustafa Yazici, Director, jointly and severally in the amount of \$395.

We recommend the Academy only pay expenditures that relate to the Academy’s normal activities and operations.

Officials’ Response

Management responded, via legal counsel that Nicola, Gudbranson & Cooper, LLC that paying these fees is no different than paying relocation expenses for new employees.

Auditor of State’s Conclusion

While moving expenses would be considered an incidental benefit to the family, payment of non-employee fees is more than an incidental benefit, it is a direct benefit to the individual.

FINDING NUMBER 2005-004

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

During fiscal year 2005, the Horizon Science Academy of Toledo issued payments to Citizenship and Immigration Services and to Skelton, McQuiston, Gounaris & Henry, Attorneys at Law, for the purpose of assisting Nurcan Dincer, who was not an employee of the Academy, with the cost of Citizenship and Immigration applications and associated legal fees, in the amounts of \$1,185 and \$600, respectively. Nurcan Dincer was a potential teacher who was never hired. There is no authority that allowed these payments to be made, nor does the nature of the expense relate to the Academy’s normal activities and operations.

Ohio Rev. Code 3314.01(B) states in part that a community school is a public school. . . and is part of the state’s program of education. Because Nurcan Dincer is neither an employee nor a student, there is no demonstrable connection between these payments and the state’s program of education.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Nurcan Dincer, Bunyamin Koz, Business Manager, and Mustafa Yazici, Director, jointly and severally in the amount of \$1,785.

We recommend the Academy only pay expenditures that relate to the Academy’s normal activities and operations.

Officials’ Response

Management responded, via legal counsel that these fees are similar to other costs employers would incur while completing their pre-employment investigations.

Auditor of State’s Conclusion

This is more than an incidental benefit; it is a direct benefit to the individual.

FINDING NUMBER 2005-005

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

During fiscal year 2005, the Horizon Science Academy of Toledo issued payments to Citizenship and Immigration Services and to Skelton, McQuiston, Gounaris & Henry, Attorneys at Law, for the purpose of assisting Tuncay Tasdan, who was not an employee of the Academy, with the cost of Citizenship and Immigration applications and associated legal fees, in the amounts of \$1,185 and \$600, respectively. Tuncay Tasdan was a potential teacher who was never hired. There is no authority that allowed these payments to be made, nor does the nature of the expense relate to the Academy’s normal activities and operations.

Ohio Rev. Code 3314.01(B) states in part that a community school is a public school. . . and is part of the state’s program of education. Because Tuncay Tasdan is neither an employee nor a student, there is no demonstrable connection between these payments and the state’s program of education.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Tuncay Tasdan, Bunyamin Koz, Business Manager, and Mustafa Yazici, Director, jointly and severally in the amount of \$1,875.

We recommend the Academy only pay expenditures that relate to the Academy’s normal activities and operations.

Officials’ Response

Management responded, via legal counsel that these fees are similar to other costs employers would incur while completing their pre-employment investigations.

Auditor of State’s Conclusion

This is more than an incidental benefit; it is a direct benefit to the individual.



**Auditor of State
Betty Montgomery**

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HORIZON SCIENCE ACADEMY OF TOLEDO

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 26, 2006**