



**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Columbus Humanities Arts and Technology Academy  
Franklin County  
1333 Morse Road  
Columbus, Ohio 43229

To the Board of Directors:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Columbus Humanities Arts and Technology Academy, Franklin County, Ohio, as of June 30, 2007, 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.

As discussed in Note 19 to the financial statements, the Academy has a deficit net asset balance of (\$1,563,415) and operating loss (\$496,659) and experienced certain financial difficulties during the year. Note 19 describes management's plans regarding these issues.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

November 7, 2008

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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The discussion and analysis of the Columbus Humanities Arts & Technology Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

**Highlights**

The Academy finished its third year of operation during fiscal year 2007 serving grades kindergarten through seventh grade. Enrollment varied during the year but averaged 343 students.

Key highlights for fiscal year 2007 are as follows:

- Net assets decreased \$270,678 as compared to \$298,070 in the prior fiscal year.
- Academy had an operating loss of \$496,659 compared to an operating loss of \$798,858 in the prior fiscal year.
- Total assets decreased \$216,521, or 12.90 percent, mainly due to a \$130,670 decrease intergovernmental receivables at year end and depreciation expense of \$56,412.
- Total liabilities increased \$54,157 or 1.82 percent, primarily due to a \$93,236 increase in accrued interest payable on long term notes and a \$99,666 increase in payables to related parties. These increases were offset by a \$115,142 decrease in long term debt.

**Overview of the Financial Statements**

The financial report consists of three parts-management discussion and analysis, the basic financial statements, and notes to the financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the statement of position of the Academy. The statement of revenues, expenses, and changes in net assets present increases (e.g., revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to full understanding of the data provided on the basic financial statements.

**Financial Analysis of the Academy as a Whole**

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from the governmental-wide financial statements is included in the discussion and analysis.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

Table 1 provides a summary of Academy's net assets for 2007 compared to 2006:

Table 1  
Net Assets

	2007	2006	Change
<u>Assets:</u>			
Current Assets	\$73,886	\$233,995	(\$160,109)
Capital Assets	1,387,425	1,443,837	(56,412)
Total Assets	<u>1,461,311</u>	<u>1,677,832</u>	<u>(216,521)</u>
<u>Liabilities:</u>			
Current Liabilities	1,807,424	1,494,430	312,994
Long-Term Liabilities	1,217,302	1,476,139	(258,837)
	<u>3,024,726</u>	<u>2,970,569</u>	<u>54,157</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	657,550	387,304	270,246
Restricted for Other Purposes	14,217	8,717	5,500
Unrestricted	(2,235,182)	(1,688,758)	(546,424)
Total Net Assets	<u>(\$1,563,415)</u>	<u>(\$1,292,737)</u>	<u>(\$270,678)</u>

Total net assets decreased \$270,678. The cause of the decrease was the Board's desire to continue to offer programming that would be attractive to the families of the area and to offer services and student staff ratios necessary to accelerate learning of students faster than the traditional single grade level gains. The goal of this investment is to grow enrollment to be closer to the capacity of the facility at which point the school would generate surpluses on an annual basis sufficient to eliminate accumulated deficits. The Academy made significant progress towards operating at breakeven during the 2007 fiscal year. With enrollment having grown to 382 in fall of 2007 for the 2008 fiscal year, we are projecting that the school will be able to move past a breakeven position and begin recovering the accumulated deficits. Based on the analysis that was done at the time the decision was made to open the school, the Board and its management made the decision to make an investment in the future of the children of this community, not based on a plan that was expected to general large economic profits, but rather on a plan that is economically sustainable and that would generate dividends to the community in the form of enhanced opportunities for children and families. The Academy is experiencing the growth anticipated and we believe is on track to begin recovering from the investment that was made in the first three years of operations to make this school what it has become today. Resources for the necessary program became available by taking out a long term note from the Academy's management company in December of 2005 and again in June 2007. Additional resources have been made available by delaying payment on invoices from the Academy's management company for certain rent, management services, other operating expenses and personnel services.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

Table 2 reflects the changes in net assets for fiscal year 2007 as compared to 2006.

Table 2  
Change in Net Assets

	2007	2006	Change
<u>Operating Revenues:</u>			
Foundation	\$2,163,163	\$2,160,713	\$2,450
Charges for Services	47,546	60,584	(13,038)
Miscellaneous Revenues	12,700	0	12,700
<u>Non-Operating Revenues:</u>			
Federal/State Restricted Grants	467,873	676,078	(208,205)
<b>Total Revenues</b>	<b><u>\$2,691,282</u></b>	<b><u>\$2,897,375</u></b>	<b><u>(\$206,093)</u></b>
<u>Operating Expenses:</u>			
Building	\$123,603	\$332,100	(208,497)
Purchased Services	2,150,805	2,069,383	81,422
Depreciation	64,836	64,836	0
General Supplies	256,880	230,268	26,612
Other Operating Expense	123,944	323,568	(199,624)
<u>Non-Operating Expenses:</u>			
Interest	241,892	175,290	66,602
<b>Total Expenses</b>	<b><u>\$2,961,960</u></b>	<b><u>\$3,195,445</u></b>	<b><u>(\$233,485)</u></b>
<b>Total Increase (Decrease) in Net Assets</b>	<b><u>(\$270,678)</u></b>	<b><u>(\$298,070)</u></b>	<b><u>\$27,392</u></b>

The decrease in revenues and expenses in fiscal year 2007 is primarily due to certain startup grants that were available in the first couple of years ran out during fiscal year 2007.

**Budgeting**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, Ohio Council of Community Schools, does not prescribe a budgetary process for the Academy.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2007, the Academy had \$1,387,425 invested in capital assets (net of accumulated depreciation) for its facility and computers and other equipment, a decrease of \$56,412 or 3.91 percent. The following table shows fiscal year 2007 compared to 2006:

	2007	2006	Change
Building/Improvements	\$1,382,622	\$1,436,729	(\$54,107)
Furniture & Equipment	4,803	7,108	(2,305)
	1,387,425	1,443,837	(56,412)

The decrease in buildings/improvements and furniture and equipment represents the depreciation expense for the year. For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At June 30, 2007, the Academy had \$1,908,686 in notes and capital leases outstanding, \$691,382 due within one year. The following outstanding table summarized the Academy's debt outstanding as of June 30, 2007.

Outstanding Debt, at Year End

	2007	2006	Change
Capital Leases Payable	\$729,874	\$1,102,572	(\$372,698)
Installment Note Payable	1,178,810	921,256	257,554
Total	\$1,908,684	\$2,023,828	(\$115,144)

For further information regarding the Academy's debt, refer to Note 13 to the basic financial statements.

**Economic Factors**

Management is not currently aware of any facts, decisions or conditions that have occurred that are expected to have a significant effect on the financial position or results of operation.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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**Operations**

Columbus Humanities Arts and Technology Academy is a public school established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-7. Grade 8 is being added in the 2007-2008 academic year. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operation. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

**Requests for Information**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any question concerning this report, please contact Robert Schirhart, Controller of the Columbus Humanities Arts and Technology Academy, 3330 Chippewa Street, Columbus, Ohio 43204.

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**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2007**

**Assets:**

***Current assets:***

Cash and Cash Equivalents	\$ 14,784
Intergovernmental Receivable	37,720
Prepaid Expense	21,382
<b>Total current assets</b>	<u>73,886</u>

***Noncurrent assets:***

Capital Assets, net of Accumulated Depreciation	<u>1,387,425</u>
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<b>Total assets</b>	<u>\$ 1,461,311</u>
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**Liabilities:**

***Current liabilities:***

Accounts Payable, Trade	\$ 196,980
Accounts Payable, Related Party	765,527
Accrued Interest	153,029
Deferred Revenue	506
Current Portion of Long-term Debt	691,382
<b>Total current liabilities</b>	<u>1,807,424</u>

***Noncurrent liabilities:***

Noncurrent Portion of Long-term Debt	<u>1,217,302</u>
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<b>Total liabilities</b>	<u>3,024,726</u>
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**Net Assets**

Invested in Capital Assets, Net of Related Debt	657,550
Restricted for Other Purposes	14,217
Unrestricted Net Assets	<u>(2,235,182)</u>
<b>Total Net Assets</b>	<u><u>\$(1,563,415)</u></u>

**See Accompanying Notes to the Basic Financial Statements**

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

**Operating Revenues:**

Community School Foundation	\$ 2,163,163
Charges for Services	47,546
Miscellaneous Revenues	12,700
<b>Total Operating Revenues</b>	<u>2,223,409</u>

**Operating Expenses:**

Building	123,603
Purchased Services	2,150,805
Depreciation	64,836
General Supplies	256,880
Other Operating Expenses	123,944
<b>Total Operating Expenses</b>	<u>2,720,068</u>

**Operating Loss** (496,659)

**Nonoperating Revenues and Expenses:**

Federal and State Restricted Grants	467,873
Interest Expense	(241,892)
<b>Net Nonoperating Revenues and Expenses</b>	<u>225,981</u>

<b>Change in Net Assets</b>	(270,678)
<b>Net Assets Beginning of Year</b>	<u>(1,292,737)</u>
<b>Net Assets End of Year</b>	<u><u>\$(1,563,415)</u></u>

**See Accompanying Notes to the Basic Financial Statements**

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Foundation Receipts	\$ 2,024,049
Charges for Services	47,545
Miscellaneous Receipts	12,700
Cash Payments to Suppliers for Goods and Services	<u>(2,448,966)</u>
Net Cash Used for Operating Activities	<u>(364,672)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Federal and State Grant Receipts	<u>598,542</u>
Net Cash Provided by Noncapital Financing Activities	<u>598,542</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Assets	(8,424)
Cash Received from Note Proceeds	257,555
Capital Lease Interest Payments	(148,656)
Capital Lease Principal Retirement	<u>(372,697)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(272,222)</u>

Net Decrease in Cash and Cash Equivalents	(38,352)
Cash and Cash Equivalents - Beginning of the Year	<u>53,136</u>
Cash and Cash Equivalents - Ending of the Year	<u>\$ 14,784</u>

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

Operating Loss	<u>\$ (496,659)</u>
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**Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities**

Depreciation	64,836
Changes in assets and liabilities:	
Increase in Prepaid Expense	(8,913)
Decrease in Accounts Payable, Trade	(24,106)
Increase in Accounts Payable, Related Party	99,664
Increase in Deferred Revenue	506

<b>Net Cash Used for Operating Activities</b>	<u><b>\$ (364,672)</b></u>
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**Noncash operating activities**

The Academy's management company paid \$99,664 for operating expenses on behalf of the Academy.

**See Accompanying Notes to the Basic Financial Statements**

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**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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**Note 1 - Description of the School**

The Columbus Humanities, Arts & Technology Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314. The Academy offers education for Ohio children in grades K-7. Grade 8 is being added in the 2007-2008 academic year. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operation. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the academy.

The Academy was approved for operation under a contract with Ohio Council of Community Schools (the Sponsor) for a period of four academic years commencing after July 1, 2004 and ending June 30, 2008. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Ohio Revised Code Section 3314.02(E) states in part that the Academy operate under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operates or manages an Academy for the Governing Board. The Board is responsible for carry out the provisions of the contract that include, but are not limited to, state-mandated provision regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board also serves as the Board for the Columbus Arts and Technology Academy, the Columbus Preparatory Academy, and Cornerstone Academy.

The Academy contracts with Mosaica Education, Inc, for management services including management of personnel and human resources, the program of instruction, marketing data management, purchasing, strategic planning, public relation, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. See Note 17.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy 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 entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

**A. Basis of Presentation**

The Academy'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 Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**B. Measurement Focus**

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy'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. Revenue resulting from nonexchange transactions, in which Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period 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 Academy 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 provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, the Ohio Council of Community Schools, does not prescribe a budgetary process for the Academy.

**E. Cash and Cash Equivalents**

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 2007.

**F. Prepaid Items**

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2007, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**G. Capital Assets**

The Academy's capital assets during fiscal year 2007 consisted of computers and other equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. Improvements are capitalized. 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.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Building and Building Improvements	20-25 years
Furniture, Fixtures, and Equipment	5-20 years

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2007, there were no net assets restricted by enabling legislation.

The statement of net assets reports \$14,217 in restricted net assets related to various entitlement grant receipts in excess of funds expended and \$657,550 invested in capital assets net of related debt.

**I. Operating Revenues and Expenses**

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

**J. Estimates**

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

**K. Economic Dependency**

The Academy receives approximately 98% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

**Note 3 – Changes in Accounting Principles**

There were no changes in accounting principals implemented during 2007 that would have a material effect on the financial statements.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

**Note 4 - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2007 the bank balance of Academy's deposits was \$16,480. The bank balance was covered by federal depository insurance.

**Note 5 – Receivables**

At June 30, 2007, the Academy had intergovernmental receivables, in the amount of \$37,720. The receivables are expected to be collected within one year.

Grant	Amount
National School Lunch Program	\$13,978
Title IV	2,574
Title V	1,134
Federal School Public Grant	20,034
Total Intergovernmental Receivables	\$37,720

**Note 6 - Capital Assets**

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

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Buildings/Improvements	\$1,556,579	8,424	0	\$1,565,003
Furniture & Equipment	11,527	0	0	11,527
Total Depreciable Capital Assets	1,568,106	8,424	0	1,576,530
Less Accumulated Depreciation				
Building/Improvements	(119,850)	(62,531)	0	(182,381)
Furniture & Equipment	(4,419)	(2,305)	0	(6,724)
Total Accumulated Depreciation	(124,269)	(64,836)	0	(189,105)
Capital Assets, Net	\$1,443,837	(\$56,412)	\$0	\$1,387,425

**Note 7 - Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the Academy contracted with Pashley Insurance Agency insurance coverage with the Hartford Casualty Insurance Company. The types and amounts of coverage provided are as follows:

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

**Note 7 - Risk Management (Continued)**

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	10,000
Damage to Rented Premises - Each Occurrence	300,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Combined Single Limit	1,000,000
Excess/Umbrella Liability:	
Each Occurrence	8,000,000
Aggregate Limit	8,000,000
Excess/Umbrella Liability:	
Bldg&BPP	7,081,000

Settled claims have not exceeded this commercial coverage in any prior years and there have been no significant reductions in insurance coverage from the prior year.

**Note 8 – Purchased Services**

For the period July 1, 2006 through June 30, 2007, purchased service expenses were as follows:

Service	Amount
Personnel	\$1,019,568
Taxes and Benefits Related to Personnel Costs	278,059
Building/Custodial	117,441
Auditing Fees	8,336
Food Service	158,498
Legal Fees	16,418
Management Fee	331,305
Special Education/Nursing	113,306
Sponsor Fee	53,508
Training	1,945
Consulting Fees	30,098
Miscellaneous	22,323
Total	<u><u>\$2,150,805</u></u>

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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**Note 9 – Defined Benefit Pension Plans**

The Academy has contracted with Mosaica Education, Inc. to provide employee services. However, these contracted services do not relieve the Academy of the obligation for remitting pension contributions. The retirement system considers the Academy as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

**A. School Employees Retirement System**

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$25,486, \$28,422 and \$12,869 respectively; 100 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**B. State Teachers Retirement System of Ohio**

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://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 member 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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**Note 9 – Defined Benefit Pension Plans (Continued)**

**B. State Teachers Retirement System of Ohio (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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006 and 2005, were \$101,263, \$93,082 and \$86,442, respectively; 91 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. No employees contribute to the DCP and CP for the fiscal year ended June 30, 2007.

**Note 10 – Postemployment Benefits**

The Academy 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 partial 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.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care 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, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled \$10,259 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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**Note 10 – Postemployment Benefits (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 and 3.43 percent of covered payroll for fiscal years 2006 and 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$7,921.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**Note 11 - Contingencies**

**A. Grants**

The Academy 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

**B. Litigation**

The Academy is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operation and pending projects. The Academy management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Academy.

**C. 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 community schools. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. A review conducted by the Ohio Department of Education reflected the Academy owes \$506 to the Ohio Department of Education. This is reported as deferred revenue on the June 30, 2007 Statement of Net Assets.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

**Note 12 – Building Leases**

The Academy has entered into a lease for the period from July 1, 2004 through June 30, 2007 with EFA Company, LLC a wholly owned subsidiary of Mosaica Education, Inc for the use of the parking lot as space for the Academy building modulars and grounds as a school facility. Mosaica Education, Inc is a related party, as disclosed in Note 17. Payments made totaled \$123,603 for the fiscal year. At year end, the lease terminated and the Academy relocated to a different facility. See Note 20.

**Note 13 – Long-Term Obligations**

Changes in the Academy's long-term obligations during fiscal year 2007 were as follows:

	Balance 6/30/2006	Additions	Reductions	Balance 6/30/2007	Amount Due Within One Year
Mosaica Education, Inc. Promissory Notes	\$921,256	\$257,554	\$0	\$1,178,810	\$366,255
Capital Leases Payable	1,102,572	0	(372,698)	729,874	325,127
Long-Term Obligations	<u>\$2,023,828</u>	<u>\$257,554</u>	<u>(\$372,698)</u>	<u>\$1,908,684</u>	<u>\$691,382</u>

Mosaica Education, Inc. Promissory Notes- On December 15, 2005, the Academy entered into a promissory note with Mosaica Education, Inc for the outstanding accounts payables. The promissory note has an interest rate of 9.0 percent and will mature in fiscal year 2011. On June 21, 2007 the Academy entered into a second promissory note for outstanding payables that had accumulated subsequent to entering the first note. The second promissory note has an interest rate of 9.0 percent and matures in fiscal year 2012. There is no prepayment penalty for either promissory note. During fiscal year 2007 the Academy did not make payments to Mosaica Education, Inc. as outlined in the payment of the promissory note agreements.

The principal and interest requirements to retire the promissory notes with Mosaica Education, Inc. outstanding at June 30, 2007, were as follows:

Fiscal Year Ending June 30	Principal	Interest
2008	\$366,256	\$52,360
2009	185,000	51,337
2010	185,000	67,988
2011	185,000	84,638
2012	257,554	117,831
Total	<u>\$1,178,810</u>	<u>\$374,154</u>

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

**Note 14 – Capital Lease-Lessee Disclosure**

The Academy has entered into capitalized leases for the use of modular buildings, computer equipment and furniture. Each lease meets the criteria of 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 risk of ownership to the lessee. Principal payments in 2007 were \$372,698.

	<u>Amount</u>
Property under Capital Lease	\$1,541,376
Less Accumulated Depreciation	(185,206)
Total June 30, 2006	<u><u>\$1,356,170</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007.

Capital Lease		
Fiscal Year Ending	Principal	Interest
June 30	<u>          </u>	<u>          </u>
2008	\$325,128	\$34,948
2009	345,181	14,895
2010	59,565	347
Total	<u><u>\$729,874</u></u>	<u><u>\$50,190</u></u>

**Note 15 – Operating Leases**

In September of 2004, Mosaica Education, Inc. entered into an operating lease for three years with ACC Capital Corporation, for the use of classroom furnishings. Also in September of 2004, Mosaica Education, Inc. entered into a sublease agreement with the Academy for the Academy's use of the classroom furnishings. Total lease payments during fiscal year 2007 for this lease were \$25,840. Estimated minimum lease payments still owed on the operating lease is \$5,500.

**Note 16 –Tax Exempt Status.**

The Academy has filed for its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

**Note 17 – Related Party Transactions/Management Company**

The Academy contracts with Mosaica Education, Inc. for variety of services including management of personnel and human resources, board relations, financial management, marketing, technology services, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. Financial management services include, but are not limited to, financial statement and budget preparation, accounts payable, and payroll preparation.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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**Note 17 – Related Party Transactions/Management Company (Continued)**

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is equivalent to 12.5% of the Academy's revenue. The management fee for fiscal year 2007 was \$331,305. In addition, upon termination of the agreement due to nonperformance by either party, or in the event of nonrenewal upon expiration of the agreement, the Academy must pay Mosaica Education, Inc. \$100,000 per year for three consecutive years.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual costs incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries of Mosaica Education, Inc employees working at the Academy, and other costs related to providing educational and administration services. The total expenses paid to Mosaica Education Inc during fiscal year 2007 were \$1,104,213.

At June 30, 2007, the Academy had payables to Mosaica Education, Inc. in the amount of \$765,527.

The following is a schedule of payables to Mosaica Education, Inc.

	<u>Amount</u>
Payroll	\$504,252
Management Fee	152,010
Equipment Rent	12,920
Interest/Finance Charges	63,180
Miscellaneous	33,165
Total June 30, 2006	<u><u>\$765,527</u></u>

In addition, at June 30, 2007 the Academy owed Mosaica Education, Inc. \$1,178,810 for promissory note agreements dated December 31, 2005 and June 21, 2007. See Note 13.

**Note 18 – Sponsor**

The Academy was approved for operation under a contract with the Ohio Council of Community Schools Council (the Sponsor) for a period of four academic years commencing July 1, 2004. As part of this contract, the Sponsor is entitled to a maximum of 3% of all revenues. Total amount due and paid for fiscal year 2007 was \$53,508.

**Note 19 – Management's Plan**

For fiscal year 2007, the Academy had an operating loss of (\$496,659), a net loss of (\$270,678), and net asset deficit of (\$1,563,415). Projected revenues and expenses for fiscal year 2008 indicate these financial difficulties will not be completely eliminated during fiscal year 2008. As of October 31, 2008 the Academy's change in net assets was (\$145,945) and the net asset deficit was (\$1,706,360).

The Academy had a net loss for fiscal year 2006 and 2005. The net loss in fiscal year 2007 of \$270,678 was less than the net loss in fiscal year 2006 of \$298,070, despite flat enrollment, due to lower leasing costs. Final full-time equivalents student enrollment was 343, 338 and 225 students for the fiscal years ending June 30, 2007, 2006, and 2005, respectively. Current full-time equivalent student enrollment as of October 31, 2008 is 345 students.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

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**Note 19 – Management’s Plan (Continued)**

Management plans to continue to increase enrollment through active advertising via print, radio, mailings and through referrals of current parents which will help reduce future deficits and operating losses.

**Note 20 – Subsequent Events**

The lease agreement between Columbus Urban Growth Corporation and the Academy for property in which the Academy’s school facilities are located expired on July 31, 2007. The Academy’s Governing Board has made arrangements for the alternative building location that is being used for the 2007-2008 school year. The Governing Board entered into a lease agreement with EFA Company, LLC, a wholly owned subsidiary of Mosaica Education, Inc., for a term of fifteen years commencing on September 1, 2007. Future minimum lease payments are as follows:

Fiscal Year Ending June 30	Amount
2008	\$591,667
2009	721,833
2010	736,270
2011	750,995
2012	766,015
Thereafter	8,555,408
Total minimum lease payments	<u>\$12,122,188</u>

The Academy has leased its modular facilities described in Note 14 to other community schools managed by Mosaica Education, Inc. at cost.



# Mary Taylor, CPA

Auditor of State

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

Columbus Humanities Arts and Technology Academy  
Franklin County  
1333 Morse Road  
Columbus, Ohio 43229

To the Board of Directors:

We have audited the basic financial statements of the Columbus Humanities Arts and Technology Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 7, 2008 wherein we noted the Academy had a deficit net asset balance and an operating loss as of June 30, 2007 and experienced certain financial difficulties during the fiscal year. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statement, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-003 and 2007-006 through 2007-009.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weakness. However, we believe findings 2007-003 and 2007-006 through 2007-009 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated November 7, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provision 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 2007-001 through 2007-0005 and 2007-009.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated November 7, 2008.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 7, 2008

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2007**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Noncompliance—Finding for Recovery**

**Ohio Revised Code § 149.43(B)** provides in part, that public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. A public office shall organize and maintain public records in a manner that they can be available for inspection or copying. In addition, **Ohio Revised Code § 3314.03(A)(8)** provides that a contract entered into between a sponsor and the governing authority of a community school shall require financial records of the school to be maintained in the same manner as are financial statements of school districts.

As the former Chief Administrative Officer of the Academy, Marcia A. Johnson opened two bank accounts on September 11, 2006 and November 1, 2006 to collect receipts related to various student activities including fundraisers and field trips. The account opened on September 11, 2006 was opened in the name of Col Humanities Arts and Tech Academy with the Academy's employer identification number. The account opened on November 1, 2006 was opened in the name of C.H.A.T.A. with Marcia A. Johnson's social security number. The bank account signature cards for both accounts identify only Marcia A. Johnson as authorized to make payment and transact business for these accounts.

The following activity occurred in the bank accounts:

- The bank account opened on September 11, 2006 was subsequently closed on October 13, 2006 and cash was issued to Marcia A. Johnson for \$204. Marcia A. Johnson issued a check for \$107 to the Academy's child care program. The use of the remaining \$97 could not be determined. The Academy was unable to provide documentation for these expenditures.
- Marcia A Johnson wrote checks for \$100 and \$600 on May 25, 2007 and May 29, 2007 respectively to withdraw cash from the bank account opened on November 1, 2006. The Academy was unable to provide documentation for these expenditures.
- Marcia A. Johnson wrote a check for \$856 on June 6, 2007 for cash to close the bank account opened on November 1, 2006 and this check was not subsequently deposited into the Academy's bank account.

Without appropriate documentation, it is not possible to determine if the expenditures were made for a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and could possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Marcia A. Johnson, former Chief Administrative Officer, in the amount of \$1,653 in favor of the Columbus Humanities Arts and Technology Academy.

**Officials' Response**

The bank accounts referenced in finding 2007-001 were not accounts that were authorized by the Board of the Academy to be opened. The individual referenced in the finding opened the accounts and withheld the information concerning the existence of the accounts and the deposits/withdrawals of funds from the financial and operational management of the Academy. Accordingly, the Academy agrees with the Finding for Recovery. The actions of the referenced individual were contrary to policy and appear to have been done with the intent to hide the transactions from management and the Board.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-002**

**Material Noncompliance--Finding for Recovery**

**Ohio Revised Code § 149.43(B)** provides in part, that public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. A public office shall organize and maintain public records in a manner that they can be available for inspection or copying. In addition, **Ohio Revised Code § 3314.03(A)(8)** provides that a contract entered into between a sponsor and the governing authority of a community school shall require financial records of the school to be maintained in the same manner as are financial statements of school districts.

As the former OASIS Director and former Chief Administrative Officer of the Academy, Danielle A. Turner and Marcia A. Johnson opened a bank account in their own names and social security numbers on January 12, 2007, to collect receipts related to the OASIS program, a before and after school and summer child care program provided by the Academy. The account signature card identifies Danielle A. Turner and Marcia A. Johnson as authorized to make payment and transact business for this account. Marcia A. Johnson's authorization was removed on June 8, 2007, the date of her termination from the Academy.

From January 12, 2007 through June 8, 2007 there was \$5,385 of ATM withdrawals from the account. The account remained open until November 20, 2007 and there was \$4,980 of ATM withdrawals from the account from June 8, 2007 through the closing date. There is evidence to support \$53 of the withdrawals were utilized for the OASIS program. There is no evidence that the remaining \$10,312 of cash withdrawn from the account was used for the operation of the OASIS program.

Without appropriate documentation, it is not possible to determine if the expenditures were made for a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and could possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code 117.28 a Finding for Recovery for public monies illegally expended during the period of January 12, 2007 through June 8, 2007 is hereby issued against Danielle A. Turner, former OASIS Director, and Marcia A. Johnson, former Chief Administrative Officer, jointly and severally, in the amount of \$5,385 in favor of the Columbus Humanities Arts and Technology Academy. In addition, a Finding for Recovery for public monies illegally expended during the period of June 8, 2007 to November 20, 2007 is hereby issued against Danielle A. Turner in the amount of \$4,927 in favor of the Columbus Humanities Arts and Technology Academy.

**Officials' Response**

The bank account referenced in finding 2007-002 was not an account that was authorized by the Board of the Academy to be opened. The individuals referenced in the finding opened the account and withheld the information concerning the existence of the accounts and the deposits/withdrawals of funds from the financial and operational management of the Academy. Accordingly, the Academy agrees with the Finding for Recovery. The actions of the referenced individuals were contrary to policy and appear to have been done with the intent to hide the transactions from management and the Board.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-003**

**Significant Deficiency/Material Weakness/Material Noncompliance**

**Ohio Revised Code § 149.43(B)** provides in part, that public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. A public office shall organize and maintain public records in a manner that they can be available for inspection or copying. In addition, **Ohio Revised Code § 3314.03(A)(8)** provides that a contract entered into between a sponsor and the governing authority of a community school shall require financial records of the school to be maintained in the same manner as are financial statements of school districts.

Section vii of the Academy's management agreement with Mosaica Education, Inc states that Mosaica will maintain accurate financial records pertaining to its operation of the Academy, together with all Academy records prepared by Mosaica and retain all such records for a period of five years (or longer if required by the Code of other applicable laws and regulation) from the close of the fiscal year to which such book, accounts and records relate. All financial records retained by Mosaica pertaining to the Academy will be available to the Academy, the Authorizer or the Ohio Department of Education for inspection and copying upon reasonable requests.

Mosaica Education, Inc. financial personnel maintained a general bank account to account for all of the Academy's financial transactions. However, there were receipts collected from the child care program (OASIS) and for various other student activities that were not deposited into the Academy's general bank account. Instead, the following bank accounts were opened to account for the OASIS and student activity receipts. The financial personnel of Mosaica Education, Inc. were not aware that these bank accounts existed since the bank accounts were opened using staff members' names and/or social security numbers rather than the Academy's name and employer identification number.

- A bank account opened by Crystal L. Shuler, former OASIS Director, and Marcia A. Johnson, former Chief Administrative Officer, to account for OASIS receipts from February 8, 2006 to January 12, 2007.
- A bank account opened by Danielle A. Turner, former OASIS Director, and Marcia A. Johnson, former Chief Administrative Officer, to account for OASIS receipts from January 12, 2007 through November 20, 2007. See Finding Number 2007-002.
- Bank accounts opened by Marcia A. Johnson, former Chief Administrative Officer, in the names of Cols Humanities Arts and Tech Academy and C.H.A.T.A. to account for various fundraisers and field trips of the Academy from September 11, 2006 through June 6, 2007 (student activity bank accounts). See Finding Number 2007-001.

The financial statements did not reflect the receipt and expense activity from the above listed accounts. Audit adjustments to properly reflect the activity from these accounts were made to the June 30, 2007 financial statements and the Academy's accounting records.

The above bank accounts had the following control weaknesses:

1. Supporting documentation for receipts collected, including duplicate receipts issued to payers and student log records related to the OASIS program, were incomplete and did not correlate to deposits. Deposited OASIS collections exceeded the total receipts documented on the duplicate receipts that were on file at the Academy.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-003 (Continued)**

**Significant Deficiency/Material Weakness/Material Noncompliance (Continued)**

2. Duplicate receipts and a checkbook ledger were not maintained to account for the financial activity of the student activity bank accounts. Unsupported receipts deposited included a \$3,804.73 check from Marcia Johnson's personal checking account to open one of the student activity bank accounts on November 1, 2006. Total receipts deposited into the student activity bank accounts were comparable to the fundraiser and field trip expenses paid.
3. Little to no supporting invoices or cashier receipts was maintained to support expenses from the bank accounts. Alternative audit procedures were completed to ensure that debit card purchases and check payments were made for a proper public purpose.
4. Documentation was not maintained to document how cash withdrawals were used for Academy related expenses. See Finding Numbers 2007-001 and 2007-002.
5. Marcia A Johnson received \$953 in cash when the student activity accounts were closed on October 13, 2006 and June 6, 2007. The cash was not subsequently deposited with the Academy's bank account. See Finding Number 2007-001.

The Academy's system of internal control should ensure adequate security, maintenance, and retention of all records related to all the Academy's financial transactions. Due care should be used in maintaining all records of the Academy and ensuring all financial activity is properly accounted for in the Academy's financial ledgers and bank accounts. Lack of record retention and centralized accounting of financial activity can lead to loss of control, misuse of funds, and fraud.

Policies and procedures for proper accounting of student related services and activities provided by the Academy should be established and communicated to all Academy staff. These policies and procedures should state that supporting documentation, such as duplicate receipts, invoices, student logs, fee schedules, etc, be retained by the Academy. In addition, all receipts collected from student related services and activities should be deposited within 24 hours of collection in the Academy's bank account and not in personal bank accounts of employees.

**Officials' Response**

As noted in findings 2007-001 and 002 and the corresponding Official's Response for each, the bank accounts were opened without authorization and in the name or TIN other than that of the Academy. Because the information regarding opening the accounts and the information regarding deposits/withdrawals from the accounts was intentionally withheld from both management and the Board, there would have been no activity recorded for these activities. Management discovered the existence of the accounts subsequent to year end and attempted, with no avail, to obtain details of the transactions that were run through them. Since the details were not available, we were unable to accurately post the transactions to the Academy's financial records. Management advised the auditors of the issue and they were able to obtain some, but not all of the transaction history. The individuals referenced in findings 2007-001 or 002 are no longer working at the Academy and staff that has been hired to fill those positions have been notified regarding policies that prohibit the opening of accounts or causing transactions that are intended to circumvent the accounting and financial reporting system of the Academy.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-004**

**Material Noncompliance**

The Payment section of the Promissory Note Agreement dated June 30, 2005 between the Academy and Mosaica Education, Inc., the Academy's Management Company, for \$921,255.94 states the "Borrower shall pay this loan as outlined below":

Date	Principal	Interest	Payment
7/31/2006	181,255.94	17,672.45	198,928.39
7/31/2007	185,000.00	34,687.50	219,687.50
7/31/2008	185,000.00	51,337.50	236,337.50
7/31/2009	185,000.00	67,987.50	252,987.50
7/31/2010	185,000.00	84,637.50	269,637.50
	<u>921,255.94</u>	<u>256,322.45</u>	<u>1,177,578.39</u>

The Academy did not make any payments on the promissory note during fiscal year 2007.

The Academy should pay Mosaica Education, Inc. the debt obligations as outlined and agreed to in the Promissory Note Agreement.

**Officials' Response**

The Academy's management company, Mosaica Education, Inc., has not demanded payment on these unsecured notes as the Academy has not had sufficient cash flow to make the payments as scheduled.

**FINDING NUMBER 2007-005**

**Material Noncompliance**

**Ohio Revised Code § 3314.02(E)** states in part that each community school established under this chapter shall be under the direction of a governing authority which shall consist of a board of not less five individuals and that no person shall serve on the governing authorities of more than two start-up community schools at the same time.

As of June 30, 2007 the Academy only had four individuals participating on the Board of Directors. Not only is the current number of board members insufficient to be compliant with the above Ohio Revised Code requirement, but is also a violation of the Academy's agreement with its sponsor, which also stipulates that the Academy must maintain a five-member governing board. In addition the Academy's Board of Directors also served as the Board of Directors of the Columbus Arts and Technology Academy, the Columbus Preparatory Academy, and the Cornerstone Academy.

We recommend the Academy takes steps to secure at least five governing board members that comply with all aspects of Ohio Revised Code § 3314.02 (E) to act as the governing authority for the Academy. By establishing the required five-member board, the Academy can gain assurance that it is in compliance with the Ohio Revised Code and sponsorship agreement requirements.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-005 (Continued)**

**Officials' Response**

The Academy's Board has recruited sufficient new members to enable it to be in compliance with the minimum number per ORC Section 3314.02(E).

**FINDING NUMBER 2007-006**

**Significant Deficiency and Material Weakness**

Mosaica Education, Inc., the Academy's management company, prepares monthly bank reconciliations and year to date and month to date budget versus actual financial reports that are presented to the Board of Directors. Since the Academy reports on a full accrual basis of accounting throughout the year the revenue and expenditures reported on the budget versus actual reports include receivable and payable amounts outstanding. However, the Board of Directors is not provided a Statement of Net Assets. Therefore, the Board of Directors could not effectively monitor the Academy's assets, liabilities, and net assets throughout the year.

In addition, the management agreement entered into with Mosaica Education, Inc. states that the following services would be provided: management of personnel and human resources, board relations, financial management, marketing, the program of instruction, purchasing, strategic planning, public relation, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. Currently the Board does not have procedures in place to monitor the services being provided by Mosaica Education, Inc.

Monitoring comprises of regular management activities established to oversee whether management's financial objectives are being achieved. Data from financial reports provided by Mosaica Education, Inc may indirectly provide assurance as to the reliability of financial reporting information if it conforms to the users' expectation. Lack of effective legislative monitoring may lead to errors, irregularities, or misappropriation of the Academy's funds.

We recommend that the following items be reviewed and approved by the Board of Directors at the monthly meetings.

1. A Statement of Net Assets that reports the assets, liabilities, and net assets as of the last day of each month.
2. All invoices from Mosaica Education, Inc. and the supporting documentation of the expenses incurred by Mosaica Education, Inc. on behalf of the Academy. Supporting documentation should include payroll reports, the calculation of the management fee charged, rental agreements, and invoices of any other miscellaneous expenses billed to the Academy.

These items should be reviewed by the Board of Directors for any unusual or unexpected financial activity and for discrepancies between the Academy's Management Agreement and the actual services provided and billed by Mosaica Education, Inc. Appropriate follow-up should be made regarding any unusual balances or transactions.

**Officials' Response**

The management company has, as of February 2008, begun providing the Academy's Board with the recommended items in addition to the regular Board financial report that has been provided on a monthly basis. Prior to February 2008, the Board was provided the additional recommended items when they were requested.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-007**

**Significant Deficiency and Material Weakness**

The management agreement entered into with Mosaica Education, Inc. states that Mosaica Education, Inc. will manage personnel and human resources for all staff of the Academy and maintain accurate financial records pertaining to the operation of the Academy. In order to ensure accurate record keeping of payroll paid to employees and subsequently billed to the Academy as a purchased service, Mosaica Education, Inc. maintains supporting documentation for all payroll paid to employees.

The following internal control weaknesses were noted during the testing of various payroll transactions billed by Mosaica Education, Inc. to the Academy:

1. The Personnel Action Forms utilized to document the employee's standing information including but not limited to, the approved pay rate, hours to be worked, and the name of the Academy in which the employee would provide their services to, were not signed by the employee. Therefore, there is no documentation of the employee's agreement to the terms of employment.
2. Hourly employee time sheets were not reviewed and approved by the Chief Administrative Officer of the Academy before the total hours worked were reported for payroll processing.

Lack of internal controls over the processing of employee payroll can lead to misappropriation of the Academy's resources for the payment of purchased service expenses that were not actually incurred by the Academy.

We recommend the following internal controls be implemented within the payroll process.

1. All Personnel Action Forms should be signed by the employees and the administrators assigned to oversee the employee's performance.
2. Each hourly employee should complete a timesheet that accurately reflects the hours worked. All timesheets should be reviewed and signed by the Chief Administrative Officer before payroll is processed.

**Officials' Response**

The instructions to the PAF form only required employee signature when personal information (name change, address change, emergency contact change) was being modified. Since being informed of the concerns of the Auditor of State, management has been having all PAF forms signed by employees regardless of the purpose of the PAF.

In the past, the Chief Administrative Officer reviewed the payroll spreadsheets that detailed hours worked for each staff member and sent the payroll spreadsheet on to the Payroll Department for processing. The Auditor of State, as noted in Finding 2007-007, has expressed concern that there was no handwritten signature on the payroll spreadsheet going to payroll. Management has explained that the payroll spreadsheet has to be sent to payroll in an excel file in order to be uploaded and there is currently no way to add a manual signature to the spreadsheet. Accordingly, management believes that by having the Chief Administrative Officer positively affirm their approval of the reported hours in an e-mail sent from the password protected e-mail account of the Chief Administrative Officer to which the payroll spreadsheet is attached, an alternative procedure is taking place that is providing an equal level of assurance to that which could be achieved to a manual signature.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-008**

**Significant Deficiency and Material Weakness**

Section 1.02(a)(vii)(A) of the management agreement between the Academy and Mosaica Education, Inc. (MEI) states that MEI will maintain accurate financial records pertaining to its operation of the Academy. Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Audit adjustments were made to report the bank account activity noted in Finding Number 2007-003 on the June 30, 2007 financial statements and the Academy's accounting ledgers.

In addition, there was an audit adjustment that was quantitatively and qualitatively immaterial to the overall financial statements of the Academy and was not posted to the June 30, 2007 financial statements. This was an adjustment of \$12,146 to reduce the amount reported as prepaid retirement expenses.

The fiscal department of Mosaica Education, Inc. should review the adjustments identified above to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, policies and procedures should be adopted that include a final review of the financial statements and note disclosures to identify and correct errors and omissions.

**Officials' Response**

Management agrees with the adjustments referenced in finding 2007-003 and has adjusted the Academy's records accordingly. As noted in the response to finding 2007-008, management was unable to obtain the account history from the bank to post the activity as the accounts were not in the name of the Academy and the financial institutions involved would not release the account history for analysis. The Auditor of State was able to compel the financial institutions to release the history and provide us with the details of activities.

**FINDING NUMBER 2007-009**

**Noncompliance/Significant Deficiency/Material Weakness**

**Title I, Section 1115 of the Elementary and Secondary Education Act (ESEA) (20 U.S.C. Section 6315)** provides that Title I, Part A, funds are to be used to provide services and benefits to eligible children residing or enrolled in eligible school attendance areas. Once funds are allocated to eligible school attendance areas, a school operating a targeted assistance program must use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's challenging student academic achievement standards. In general, eligible children are identified on the basis of multiple, educationally related, objective criteria established by the LEA and supplemented by the school.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-009 (Continued)**

**Noncompliance/Significant Deficiency/Material Weakness (Continued)**

Children who are economically disadvantaged, children with disabilities, migrant children, and limited English proficient (LEP) children are eligible for Part A services on the same basis as other children who are selected for services. In addition, certain categories of children are considered at risk of failing to meet the State's student academic achievement standards and are thus eligible for Part A services because of their status. Such children include: children who are homeless; children who participated in a Head Start, Even Start, Early Reading First, or Title I preschool program at any time in the two preceding years; children who received services under the Migrant Education Program under Title I, Part C at any time in the two preceding years; and children who are in a local institution for neglected or delinquent children or attending a community day program. From the pool of eligible children, a targeted assistance school selects those children who have the greatest need for special assistance to receive Part A services.

The Academy did not document in writing what criteria were going to be used to determine the students to be served with the 2006 Title I Grants to Local Educational Agencies, CFDA #84.010.

Also, the list of students served by the Academy through the Title I program did not document individual student test scores and teacher recommendations. Therefore, it could not be determined that the students served were the most at risk of failing.

The Academy expended \$35,851 in 2006 Title I grant in fiscal year 2007. Accordingly, if this audit had been subject to Federal Circular A-133, a questioned cost would have been issued.

We recommend that the Academy establish written criteria to be used to by the Title I staff as a basis to prioritize the individual students with the greatest need for Title I services. The Academy should also ensure Title I eligibility determination files clearly document individual student test scores, teacher recommendations, and other information used to determine eligible students. In addition, the Academy should contact the Ohio Department of Education to determine if repayment of these funds is necessary.

**Officials' Response:**

Management believes that specific criteria were used to identify Title I eligible children even though there was no written criteria presented to the Academy Board for approval. The administration used the criteria of ITBS scoring and teacher recommendations to identify the most needy groups of children prior to the grant funded services being provided. Those reports providing the standardized test scoring were available, however, management was not able to produce a document that showed a merging of the standardized test scoring with the teacher recommendations. Management has since had the Academy Board take official action to approve the criteria that is to be used so that there is no question as to what is intended to be the criteria for identifying eligible children going forward.

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Debt Payments in Accordance with Promissory Note Agreement	No	Not corrected: this finding is being repeated as finding: 2007-004.
2006-002	Building Lease Payments	Yes	
2006-003	GAAP Financial Statement Preparation and Reporting	No	Not corrected: this finding is being repeated in Finding # 2007-003 and Finding #2007-008.
2006-004	7 CFR 245.6—Title I Eligibility-Nutrition Cluster	Yes	
2006-005	Title I, Section 115 of the ESEA-- Title I-Eligibility	Yes	
2006-006	Ohio Department of Education Federal Report Procedures #1--Title I and Public Charter School	Yes	
2006-007	Title I, Section 1115 of the ESEA-- Title I- Activities Allowed and Allowable Costs/Cost Principles	Yes	
2006-008	2 CFR Part 225 Appendix B Section 26 c-- Title I-Student Eligibility	No	Not corrected: this finding is being repeated as finding: 2007-009
2006-009	Title I, Part A, Section 1120A(b) of ESEA (20 USC 6321(b))-- Title I- Level of Effort-Supplement vs. Supplant	Yes	
2006-010	34 CFR 74.28--Public Charter School Grant-Period of availability	Yes	



**Mary Taylor, CPA**  
Auditor of State

**COLUMBUS HUMANITIES ARTS AND TECHNOLOGY ACADEMY**

**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 7, 2009**