



Dave Yost • Auditor of State

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Horizon Science Academy Dayton High School
Montgomery County
250 Shoup Mill Road
Dayton, Ohio 45415

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities, of Horizon Science Academy Dayton High School, Montgomery County, (the School), as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Horizon Science Academy Dayton High School, Montgomery County, as of June 30, 2010, and the changes in financial position and 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 March 18, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 18, 2011

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

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

The discussion and analysis of Horizon Science Academy Dayton High School's (the School) financial performance provides an overall review of the financial activities for the first fiscal year ended June 30 2010. Readers should also review the financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights:

Key financial highlights for fiscal year 2010 are as follows:

- Total net assets at the end of first fiscal year were \$111,149
- The School had total operating revenues of \$1,675,538
- The School had total operating expenses of \$2,097,694
- The current liabilities at the end of the first fiscal year were \$227,593
- The School received Federal and State Grants total of \$436,689

Financially, the School had a very successful first year. The School managed to enroll and maintain its student population stable around 250 throughout the year. Unfortunately, the School did not earn Federal Start-up Grant in its first year; however it received a total of \$436,689 from Federal and State programs including SFSF (State Fiscal Stabilization Fund) and ARRA (American Recovery and Reinvestment Fund) funds. Although the Statement of Revenues, Expenses and Changes in Net Assets shows an Operating Loss of \$422,156; the School recorded a net income of \$111,149 at the end of its first fiscal year.

Using this Financial Report:

This annual report consists of three parts; Management's Discussion and Analysis, the Basic Financial Statements and the Notes to the Basic Financial Statements. The Financial Statements part includes a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows.

The Statement of Net Assets:

The Statement of Net Assets shows how well the School performed financially during the fiscal year. This statement includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the fiscal year regardless of when cash is received or paid.

The following table provides a summary of the School's net assets at the end of the first fiscal year ended June 30, 2010.

	<u>June 30, 2010</u>
Assets:	
Cash	\$52,290
Other Assets	162,232
Capital Assets	151,320
Total Assets	<u>365,842</u>
Liabilities:	
Current Liabilities	227,593
Long Term Liabilities	27,100
Total Liabilities	<u>254,693</u>
Net Assets	<u>\$111,149</u>

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

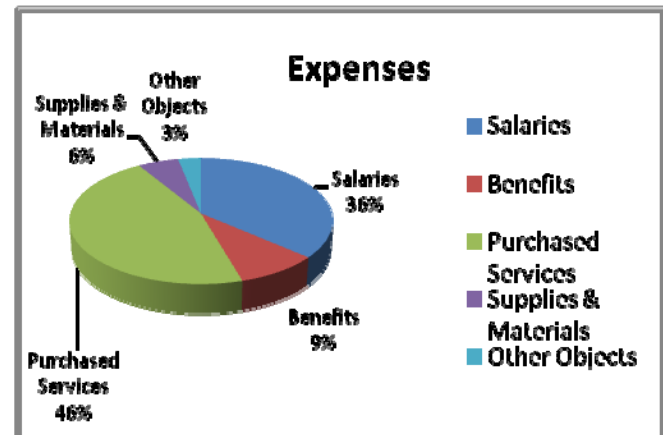
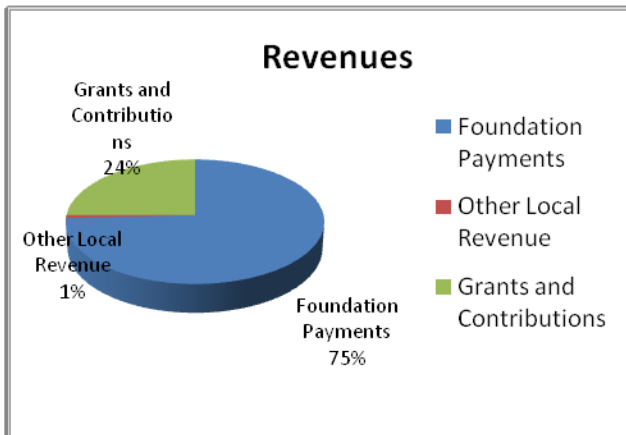
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Other current assets include Intergovernmental Receivables from the State due to Federal Grants, prepaid payroll liabilities for \$29,655 and a \$33,000 deposit to the land lord for lease agreement.

50% of the current liabilities are accrued wages and payroll liabilities and the rest is accounts payables and capital leases.

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

The Statement of Revenues, Expenses and Changes in Net Assets shows the operating and non-operating activities took place during the fiscal year. The following charts and table are a summary of the Statement of Revenues, Expenses and Changes in Net Assets for the fiscal year ended June 30, 2010.



	<u>June 30, 2010</u>
Operational Income/Expense:	
Revenues:	
Foundation Payments	\$1,658,621
Other Operational Revenues	16,917
Total Operational Revenues	1,675,538
Expense:	
Salaries	754,046
Benefits	190,063
Purchased Services	950,297
Supplies & Materials	117,010
Other Objects	65,225
Depreciation Expense	21,053
Total Operational Expense	2,097,694
Net Operational Loss	(422,156)
Non-Operational Income/Expense:	
Federal Grants	431,689
State Grants	5,000
Contributions and Donations	100,000
Interest Payments	(3,384)
Net Non-Operational Income:	533,305
Change in Net Assets	111,149
Net Assets Beginning of Year	111,149
Net Assets at End of Year	\$ 111,149

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

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

During the fiscal year, the School received a start-up loan of \$100,000 from Concept Schools, its Management Company. The entire amount was paid off before the end of the fiscal year. The School also received a contribution of \$100,000 from New Plan Learning Inc., which is a non-profit organization that is purchasing and managing facilities for community schools that are under Concept Schools management in order to cover unpaid rent. The readers can see a breakdown of the expenditures under purchased services in Note 9 to on page 17.

Capital Assets:

As of June 30, 2010, the School had \$151,320 invested in capital assets such as office equipment, school furniture, computers and projectors net of depreciation. The following table is a summary of Capital Assets as of June 30, 2010.

Capital Assets				
	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010
Instructional Furniture & Equipment		\$119,102		\$119,102
Office Furniture & Equipment		53,271		53,271
Total Capital Assets		172,373		172,373
Less: Accumulated Depreciation		(21,053)		(21,053)
Total Capital Assets, Net		\$151,320		\$151,320

Current Financial Issues:

The School was established as a split from HSA Dayton which enrolled 220 students in 2008-2009 school year in grades 5 through 11. After the split HSA Dayton expanded it grade span to K through 6. The School started its second year with an increased enrollment of 290 students in grades 7 through 12. Also in its second year, it was awarded Federal Start-up Grant in the amount of \$450,000 over two years. With the increased enrollment and extra start-up funds, the School's Management does not foresee any financial difficulties in the following years.

Contacting the School's Financial Management:

This financial report is designed to provide citizens, grantors and potential creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to the School's Treasurer, Ryan Uysaler, by mail at Concept Schools South Ohio Regional Office, 2356 Morse Rd. Columbus, OH 43229 or by phone at 614- 428 7656.

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**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

Assets:

Current Assets

Cash	\$52,290
Intergovernmental Receivable	99,577
Prepaid Payroll Liabilities	<u>29,655</u>
Total Current Assets	181,522

Non-Current Assets

Lease Security Deposit	33,000
Capital Assets (Net of Accumulated Depreciation)	<u>151,320</u>
Total Non-Current Assets	<u>184,320</u>
Total Assets	<u><u>365,842</u></u>

Liabilities & Equity:

Current Liabilities

Accounts Payable	104,077
Capital Leases- Current	10,578
Accrued Wages	70,948
Payroll Liabilities	<u>41,990</u>
Total Current Liabilities	<u>227,593</u>

Long Term Liabilities

Capital Leases- Long Term	<u>27,100</u>
Total Liabilities	<u>254,693</u>

Net Assets:

Investment in Capital Assets	113,642
Restricted	13,991
Unrestricted	(16,484)
Total Net Assets	<u><u>\$111,149</u></u>

See accompanying notes to the basic financial statements.

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Operating Revenues:	
Foundation Payments	\$1,658,621
Extracurricular Activities	2,589
Food Services	1,646
Other Local Revenue	12,682
Total Operational Income	<u>1,675,538</u>
Operating Expenses:	
Salaries	754,046
Benefits	190,063
Purchased Services	950,297
Supplies & Materials	117,010
Other Objects	65,225
Depreciation Expense	21,053
Total Operational Expense	<u>2,097,694</u>
Operating Loss	(422,156)
Non-Operating Revenues/(Expenses):	
Federal Grants	431,689
State Grants	5,000
Contributions and Donations	100,000
Interest Payments	(3,384)
Net Non-Operational Income	<u>533,305</u>
Change in Net Assets	111,149
Net Assets at Beginning of Year	<u> </u>
Net Assets at End of Year	<u><u>\$ 111,149</u></u>

See accompanying notes to the basic financial statement.

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Increase/Decrease in Cash:

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	\$1,593,048
Cash Received from Other Operating Revenues	16,917
Cash Payments to Suppliers for Goods and Services	(963,230)
Cash Payments to Employees for Services	(683,098)
Cash Payments for Employee Benefits	(177,728)
Other Cash Payments	(65,225)
Net Cash Used for Operating Activities	<u>(279,316)</u>
Cash Flows from Noncapital Financial Activities:	
Grants Received from Federal Gov.	397,685
Grants Received from State	5,000
Donations and Contributions	100,000
Security Deposit for Lease	(33,000)
Start-up Loan from Concept Schools	100,000
Loan Payments	(100,000)
Interest Payments	(3,384)
Net Cash Provided by Noncapital Financial Activities:	<u>466,301</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(126,620)
Payments for Capital Leases	(8,075)
Net Cash Provided for Capital and Related Activities	<u>(134,695)</u>
Net Increase in Cash and Cash Equivalents	52,290
Cash and Cash Equivalents at Beginning of Year	
Cash and Cash Equivalents at End of Year	<u><u>52,290</u></u>

(Continued)

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

Operating Loss	<u>(422,156)</u>
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**Adjustments to Reconcile Operating Loss to Net Cash Used
by Operating Activities**

Depreciation	21,053
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Changes in Assets and Liabilities:

Increase in Intergovernmental Receivable	(65,573)
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Increase in Accounts Payable	104,077
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Increase in Payroll Liabilities	12,335
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Increase in Wages Payable	<u>70,948</u>
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Total Adjustments	121,787
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Net Cash Used for Operating Activities	<u><u>(\$ 279,316)</u></u>
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Note:

The School had outstanding intergovernmental receivable related to non-operating grants of \$34,004 at June 30, 2010.

See accompanying notes to the basic financial statements.

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Horizon Science Academy Dayton High School (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades 6 through 12 in Dayton. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

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

The School was approved for operation under contract with the Buckeye Community Hope Foundation (the Sponsor) for a period of one year commencing on July 1, 2009. It was extended for five more years on June 2, 2010.

The School's financial activity began on April 29, 2009, however the School did not receive state foundation or federal monies until August 27, 2009. Prior to this date the School received \$25,000 of loan proceeds from Concept Schools to cover their expenditures of \$28,655.

The School operates under the direction of a self-appointed, five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. In fiscal year 2010 the School employed 27 personnel for up to 250 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the School finances meets the cash flow needs of its enterprise activities.

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

C. Budgetary Process

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

D. Cash

The School maintains a non-interest bearing checking account. All funds of the School are maintained in this account. This account is presented on the statement of net assets as "Cash". The School had no investments during fiscal year 2010.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$1,000 for inventory assets and \$10,000 for improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized.

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

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Intergovernmental Revenues

In fiscal year 2010 the School participated in the State Foundation Program, State Poverty Based Assistance Program and Special Education Program. Revenues received from these and other State programs are recognized as operating revenues. Amounts awarded under these programs in the fiscal year 2010 totaled \$1,658,621. The School also participates in Federal Title Grants Program and other State Grants Programs. Revenues from those grants programs are recognized as non-operating revenues.

G. Operating Revenues and Expenses

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

H. Compensated Absences

The School's policy indicates that all full time employees are entitled to eight days of sick/personal days in a school year. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year. At the end of the year employees are awarded \$125 per each unused sick/personal day.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At the end of the fiscal year ended June 30, 2010 the School had restricted net assets in the amount of \$13,991.

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.

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS

At June 30, 2010, the carrying book balance of the School's bank account at Chase Bank was \$52,290 and the Bank balance was \$172,038. The bank balance was insured by FDIC up to \$250,000. The School had no investments at June 30, 2010 or during the fiscal year.

4. CAPITAL ASSETS

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

Capital Assets				
	Ending June 30, 2009	Additions	Deletions	Ending June 30, 2010
Instructional Furniture & Equipment		\$119,102		\$ 119,102
Office Furniture & Equipment		\$53,271		\$ 53,271
Total Fixed Assets		\$172,373		\$ 172,373
Less: Accumulated Depreciation		\$(21,053)		\$ (21,053)
Net Fixed Assets		\$151,320		\$ 151,320

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 % of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 % of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 % of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 % for plan members and 14 % for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contribution for pension obligations to SERS for its first fiscal year ended June 30, 2010 was \$5,904; 79% had been contributed during the fiscal year.

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times an age that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14 %; 13 % 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 % for members and 14 % for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to STRS Ohio for its first fiscal year ended June 30, 2010 was \$92,020; 100% has been contributed for the fiscal year.

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

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

The School's contribution for health care for the fiscal year ended June 30, 2010 was \$212; 79% has been contributed for the fiscal year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 % of covered payroll. The School's contribution for Medicare Part B for the fiscal years ended June 30, 2010 was \$351; 100 % has been contributed for the fiscal year.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal year ended June 30, 2010 was \$7,078; 100% has been contributed for the fiscal year.

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School contracted with Great American Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate with no deductible. The School did not make any claims in the fiscal year.

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

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

9. PURCHASED SERVICES

A summary of the purchased service expenses during fiscal year 2010 were as follows:

Purchased Services	
Type	Amount
Professional Services	\$305,188
Rent and Property Services	455,955
Contracted Food Services	113,992
Pupil Transportation	54,245
Advertising and Communications	17,549
Staff Travel Expenses	3,368
Total	\$950,297

10. OPERATING LEASES

On June 22, 2009 the School entered into a ten year lease agreement with 250 Shoup Mill LLC., an Ohio non-profit corporation and a subsidiary New Plan Learning which is also an Ohio based non-profit organization specifically established to acquire and manage school facilities for Concept Schools. The School also received a donation of \$100,000 from New Plan Learning in order to cover first three months of rent. The contracted monthly lease amount was \$33,806 with an annual increase of 3%. Required lease payments for the following three years will be as follows;

Sep 2010 – Aug 2011	\$417,842
Sep 2011 – Aug 2012	\$430,377
Sep 2012 – Aug 2013	\$443,288

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. CONTINGENCIES

A. Grants

In fiscal year 2010, the School received Federal and State grants in total of \$436,689. 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 for the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Horizon Science Academy Dayton High School at June 30, 2010.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. This review resulted in an adjustment of \$65,573 that the School was underfunded during fiscal year 2010.

12. NOTE PAYABLES

Within the fiscal year the School received a total of \$100,000 from Concept Schools, its management company in order to cover its operational start-up costs. The loan was interest free and paid off before the end of the fiscal year.

13. SPONSORSHIP AGREEMENT

On July 1, 2009, the School signed a sponsorship agreement with Buckeye Community Hope Foundation for one year. On June 2, 2010 it was extended for five years. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. According to the contract agreed by both parties, the School pays 3% of its foundation revenues to the Sponsor. In fiscal year 2010, the schools compensation to the Sponsor occurred as \$47,427.

14. MANAGEMENT COMPANY AGREEMENT

The School contracted with Concepts Schools, Inc. on April 6, 2009 to serve as the School's Management Company. The contract is renewed automatically every year in one year terms unless the school or the management company decides otherwise. According to the contract, the school transfers 10% of the funds received from State. The total management fees incurred in 2010 fiscal year was \$170,911. Of this amount \$130,000 were paid during the year and remaining \$40,911 were recorded under accounts payable.

15. RELATED PARTY TRANSACTIONS

A. Board of Governance

Horizon Science Academy Dayton High School and Horizon Science Academy Dayton Elementary share the same Board of Governance. A \$25,000 loan was provided to Dayton High School from Horizon Science Academy Dayton Elementary. This loan was paid back during the fiscal year.

**HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

16. RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental (State Foundation and Federal and State grants). All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Foundation	\$65,573
Title I Grant	22,306
Title II-D Grant	1,464
Title I ARRA Grant	10,234
Total Intergovernmental Receivables	<u><u>\$99,577</u></u>

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

Horizon Science Academy Dayton High School
Montgomery County
250 Shoup Mill Road
Dayton, Ohio 45415

To the Board of Directors:

We have audited the financial statements of the business-type activities of Horizon Science Academy Dayton High School, Montgomery County, (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 18, 2011.

We intend this report solely for the information and use of management, Board of Directors, Buckeye Community Hope Foundation (the Sponsor), Concept Schools, Inc (the Management Company), and others within the School. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 18, 2011

HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2010

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

FINDING NUMBER 2010-001

MATERIAL WEAKNESS

Governmental Accounting Standards Board Statement 34 outlines the various components of net assets in the following paragraphs:

- 33. This component of net assets consists of capital assets (see [paragraph 19](#)), including *restricted* capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should *not* be included in the calculation of *invested in capital assets, net of related debt*. Rather, that portion of the debt should be included in the same net assets component as the unspent proceeds—for example, *restricted for capital projects*.
- 34. Net assets should be reported as restricted when constraints placed on net asset use are either:
 - a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments
 - b. Imposed by law through constitutional provisions or enabling legislation.
- 36. Unrestricted net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The School misstated various net assets categories due to an error in the computation by following amounts: Invested in Capital Assets, net of related debt was overstated \$37,678; Restricted net assets was understated \$13,991; Unrestricted was understated \$23,687. This represented 33% of net assets. Adjustments to correct the significant errors noted above are reflected in the accompanying financial statements.

The School should implement procedures to provide that all items are properly recorded on its financial statements, as failure to do so could result in material misstatements on the financial statements.

Official’s Response:

School Officials’ declined to respond to this finding.

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Horizon Science Academy Dayton High School
Montgomery County
250 Shoup Mill Road
Dayton, Ohio 45415

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Horizon Science Academy Dayton High School (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 23, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;

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- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board, Buckeye Community Hope Foundation (the Sponsor), and Concept Schools, Inc (the Management Company), and is not intended to be and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

March 18, 2011



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HORIZON SCIENCE ACADEMY DAYTON HIGH SCHOOL

MONTGOMERY 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 10, 2011**