



**HORIZON SCIENCE ACADEMY DENISON ELEMENTARY SCHOOL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**HORIZON SCIENCE ACADEMY DENISON ELEMENTARY SCHOOL
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Horizon Science Academy Denison Elementary School
Cuyahoga County
2261 Columbus Road
Cleveland, Ohio 44113

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Horizon Science Academy Denison Elementary School, Cuyahoga County, Ohio, (the School), as of and for the initial year of operations ended June 30, 2009, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Horizon Science Academy Denison Elementary School, Cuyahoga County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, for the initial year of operations 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 April 12, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

April 12, 2010

**Horizon Science Academy Denison Elementary School
Management's Discussion and Analysis**

For The Fiscal Year Ended June 30, 2009
(Unaudited)

The discussion and analysis of Horizon Science Academy Denison Elementary School's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

- Total assets were \$186,184.
- Total liabilities were \$82,709.
- Total net assets increased \$103,475.

Using this Financial Report

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and change in net assets, and a statement of cash flows.

Reporting the School as a Whole

One of the most important questions asked about the School is, "As a whole, what is the School's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, which appear first in the School's financial statements, report information on the School as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the School's net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets – as one way to measure the School's financial health or financial position. Over time, increases or decreases in the School's net assets – as reported in the Statement of Revenues, Expenses and Change in Net Assets – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School's operating results. However, the School's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the School, to assess the overall health of the School.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report the activities of the School, which encompass all the School's services, including instruction, supporting services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

**Horizon Science Academy Denison Elementary School
Management's Discussion and Analysis**

For The Fiscal Year Ended June 30, 2009
(Unaudited)

Table 1 provides a summary of the School's net assets as of June 30, 2009. Since this is the first year of operation for the School, comparison with the prior period is not available. A comparative analysis will be provided in future years when prior information is available.

Table 1

Net Assets	
	2009
<u>Assets</u>	
Current and Other Assets	\$89,848
Capital Assets, Net	96,336
Total Assets	186,184
 <u>Liabilities</u>	
Current Liabilities	73,509
Non-Current Liabilities	9,200
Total Liabilities	82,709
 <u>Net Assets</u>	
Invested in Capital Assets	96,336
Unrestricted	7,139
Total Net Assets	\$103,475

The unrestricted net assets represent the accumulated results of the School's operations to date. These assets can be used to finance day to day operations without constraints, such as legislative or legal requirements. The results of the current year operations for the School as a whole are reported in the Statement of Revenues, Expenses and Changes in Net Assets, which shows the change in net assets.

**Horizon Science Academy Denison Elementary School
Management's Discussion and Analysis**

For The Fiscal Year Ended June 30, 2009
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year 2009. Since this is the first year of operation for the School, comparison with the prior period is not available. A comparative analysis will be provided in future years when prior information is available.

Table 2

	2009
Revenues, Expenses and Change in Net Assets	
<u>Operating Revenue/Expense</u>	
Revenue	
Foundation Payments	\$876,243
Food Services	1,572
Classroom Fees	6,762
Extracurricular Activities	150
Other Local Revenue	2,488
Total Operating Revenues	887,215
<u>Non-Operating Revenues/Expenses</u>	
Restricted Grant-In-Aid- Federal	316,801
Restricted Grant In-Aid- State	5,000
Interest Expense	(596)
Total Non-Operating Revenues/Expenses	321,205
Total Revenue	1,208,420
<u>Expense</u>	
Salaries	462,028
Fringe Benefits	103,081
Purchased Services	390,437
Materials and Supplies	110,030
Miscellaneous Expenses	33,620
Depreciation Expense	5,748
Total Operating Expenses	1,104,944
<u>Net Assets</u>	
Change in Net Assets	103,476
Net Assets at Beginning of Year	0
Net Assets at End of Year	\$103,476

Foundation support is the primary support of the School, comprising 99 percent of operating revenue and 72 percent of total revenues. The School also received a significant portion of federal grants, which represent 26 percent of total revenue.

Salaries and benefits comprise the largest portion of operating expenses, representing 51 percent of total operating expenses. Purchased services also represent a large portion of operating expenses, or 35 percent. Net assets increased \$103,476 resulting from revenues in excess of expenses.

**Horizon Science Academy Denison Elementary School
Management's Discussion and Analysis**

For The Fiscal Year Ended June 30, 2009
(Unaudited)

Capital Assets

At the end of fiscal year 2009 the School had \$96,336, invested in furniture and equipment, (net of \$5,748 in accumulated depreciation). Table 3 shows fiscal year 2009

Table 3

Capital Assets (Net of Depreciation)	
	2009
Furniture and Equipment	\$96,336
Totals	\$96,336

For more information on capital assets see Note 4 to the basic financial statements.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Aman Gurdov, Treasurer, Horizon Science Academy Denison Elementary School, Inc., 2261 Columbus Road, Cleveland, OH 44113.

Horizon Science Academy Denison Elementary School

Statement of Net Assets

For the Fiscal Year Ended June 30, 2009

ASSETS:

Current Assets:

Cash and cash equivalents	\$84,705
Intergovernmental receivable	<u>5,144</u>
Total current assets	<u>89,849</u>

Noncurrent Assets:

Depreciable capital assets	<u>96,336</u>
Total assets	<u>186,185</u>

LIABILITIES:

Current Liabilities:

Accounts payable	33,806
Accrued wages and benefits payable	39,153
Payroll liabilities	(1,680)
Capital lease payable	<u>2,230</u>
Total current liabilities	<u>73,509</u>

Noncurrent Liabilities:

Capital lease payable	<u>9,200</u>
Total noncurrent liabilities	<u>9,200</u>
Total Liabilities	<u>82,709</u>

NET ASSETS:

Invested in capital assets	96,336
Unrestricted (deficit)	<u>7,140</u>
Total net assets	<u><u>\$103,476</u></u>

See accompanying notes to the basic financial statements.

Horizon Science Academy Denison Elementary School
Statement of Revenues, Expenses and Change in Net Assets
For the Fiscal Year Ended June 30, 2009

OPERATING REVENUES:	
Foundation payments	\$876,243
Food services	1,572
Classroom fees	6,762
Extracurricular activities	150
Other revenue	<u>2,488</u>
Total operating revenues	<u>887,215</u>
OPERATING EXPENSES:	
Salaries	462,028
Fringe benefits	103,081
Purchased services	390,437
Materials and supplies	110,030
Depreciation	5,748
Miscellaneous	<u>33,620</u>
Total operating expenses	<u>1,104,944</u>
Operating loss	<u>(217,729)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(596)
Restricted grants in aid – federal	316,801
Restricted grants in aid – state	<u>5,000</u>
Total non-operating revenues (expenses)	<u>321,205</u>
Change in net assets	103,476
Net assets, beginning of year	<u>0</u>
Net assets, end of year	<u><u>\$103,476</u></u>

See accompanying notes to the basic financial statements.

Horizon Science Academy Denison Elementary School

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2009

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from State of Ohio	\$871,099
Cash received from other operating revenues	10,972
Cash payments to suppliers for goods and services	(466,661)
Cash payments to employees for services and benefits	(527,636)
Other cash payments	<u>(33,620)</u>
Net cash used for operating activities	<u>(145,846)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Federal grants received	316,801
State grants received	<u>5,000</u>
Net cash provided by noncapital financing activities	<u>321,801</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on capital lease	(1,217)
Interest paid on capital lease	(596)
Cash received for lease acquisition	12,647
Payment for capital acquisitions	<u>(102,084)</u>
Net cash provided by capital and related financing activities	<u>(91,250)</u>

Net increase in cash and cash equivalents	84,705
Cash and cash equivalents at beginning of year	<u>0</u>
Cash and cash equivalents at end of year	<u><u>\$84,705</u></u>

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Operating loss	(217,729)
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ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:

Depreciation	5,748
Changes in Assets and Liabilities:	
Increase in accounts receivable (Foundation payments)	(5,144)
Increase in accounts payable	33,806
Increase in accrued wages and benefits payable	39,153
Decrease in payroll liabilities	<u>(1,680)</u>
Total adjustments	<u>71,883</u>

Net cash used for operating activities	<u><u>(\$145,846)</u></u>
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See accompanying notes to the basic financial statements.

Horizon Science Academy Denison Elementary School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Horizon Science Academy Denison Elementary School (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades K through 5 in Cleveland. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

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

The School was approved for operation under contract with the Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing March 24, 2008.

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. The Board of Trustees controls the School's facility, which is currently staffed by 24 full and part time personnel who provide services to up to 125 students during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 or interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

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

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

B. Measurement Focus and Basis of Accounting

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

Horizon Science Academy Denison Elementary School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

D. Cash

To improve cash management, all cash received by the School is pooled in a central bank account. The School did not have any investments during fiscal year 2009.

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 for inventory assets at \$1,000. 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. The threshold for capitalized improvements (including labor, equipment and materials) is \$10,000. The School does not capitalize interest.

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

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

Horizon Science Academy Denison Elementary School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program, Special Education Program, and the Comprehensive Continuous Improvement Plan (CCIP). Revenues received from the State Foundation Program, Special Education Program and other State programs are recognized as operating revenues whereas revenues from the Federal CCIP Program and other State Grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

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 these definitions are reported as non-operating.

H. Compensated Absences

School policy indicates that full-time employees are entitled up to eight days of sick or personal leave per year. Full time employees who do not use all of their sick or personal days within the year will receive \$100 for each unused day. All leave earned by employees must be used in the current period and balances are not carried forward, and therefore, are not recorded as a liability.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. 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 fiscal year end June 30, 2009, the School had no restricted net assets.

J. Estimates

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

Horizon Science Academy Denison Elementary School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

3. DEPOSITS

As of June 30, 2009, the School's bank balance of \$102,824 was covered by FDIC.

The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits secured.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Capital Assets				
	Balance			Ending
	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Furniture and Equipment	\$ 0	\$ 102,084	\$0	\$ 102,084
Total Fixed Assets	0	102,084	0	102,084
Less: Accumulated Depreciation	0	(5,748)	0	(5,748)
Net Fixed Assets	\$ 0	\$ 96,336	\$ 0	\$ 96,336

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.

Horizon Science Academy Denison Elementary School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

5. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current schools rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For the fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The remaining 4.91 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. The School's contribution to SERS for the fiscal year ended June 30, 2009 was \$7,748 and 100 percent has been contributed for fiscal year 2009.

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 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 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Horizon Science Academy Denison Elementary School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2009, was \$49,488 and 100 percent has been contributed for fiscal year 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

6. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement Systems 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 the System 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 St., 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 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with the Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School's contributions for health care for the fiscal year ended June 30, 2009, was \$1,175.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal year ended June 30, 2009, was \$415 which equaled the required contribution for the fiscal year.

Horizon Science Academy Denison Elementary School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

6. POSTEMPLOYMENT BENEFITS (Continued)

B. School 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 postemployment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal year ended June 30, 2009, was \$4,033.

7. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, 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 and no deductible. There has been no reduction in coverage from the prior year. There have been no settlements exceeding coverage.

B. Workers Compensation

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

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

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

Horizon Science Academy Denison Elementary School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2009 were as follows:

<u>Type</u>	<u>Amount</u>
Professional Services	\$191,163
Rent and Property Services	141,112
Administrative Travel	916
Advertising and Communications	55,546
Pupil Transportation	1,700
Total	<u>\$390,437</u>

10. OPERATING LEASES

The School entered into a one year sublease agreement for an operating lease in fiscal year 2009 for school facilities on 1700 Denison Avenue, Cleveland, OH 44109 with Horizon Science Academy Denison Middle School Inc., for period of July 1, 2008 thru June 30, 2009. The School has the option to renew at the end of the contract period. According to the current agreement, the monthly rent for the facilities is \$11,133. Payments totaled \$122,459 for fiscal year 2009.

11. CAPITALIZED LEASE – LESSEE DISCLOSURE

The Academy entered into a capital lease in November 2008 for a color copier. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The capital lease was recorded at the present value of the future minimum lease payments as of the inception date. Principal payments made during fiscal year 2009 total \$1,217.

The following is a schedule of the future minimum lease payments required under the capital lease as of June 30, 2009

	<u>Fiscal Year Ending June 30, 2009</u>		
	Minimum Lease Payments		\$1,813
	Less: amount representing interest at the School's incremental borrowing rate of interest	(596)	
	Present value of minimum lease payments		<u>\$1,217</u>
	<u>Total Payment</u>	<u>Interest</u>	<u>Principal</u>
2009	\$1,813	\$596	\$1,217
2010	3,108	878	2,230
2011	3,108	683	2,425
2012	3,108	470	2,638
2013	3,108	239	2,869
2014	1,295	27	1,268
Totals	<u>\$15,540</u>	<u>\$2,893</u>	<u>\$12,647</u>

Horizon Science Academy Denison Elementary School

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

12. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School. In fiscal year 2009, the School received grants from State and Federal agencies total of \$321,801.

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.

13. SPONSORSHIP AGREEMENT

On March 24, 2008, Buckeye Community Hope Foundation assumed responsibility for sponsorship of the School. 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. On February 11, 2009 the original contract was extended until June 30, 2010. According to the contract, the School pays three percent of its foundation revenues to the Sponsor. In fiscal year 2009, the School's compensation to the Sponsor was \$23,481.

14. MANAGEMENT COMPANY AGREEMENT

In March 2008, the School contracted with Concepts Schools, Inc. to serve as the School's management company. The contract is renewed automatically every year in one year terms unless the School or the management company decides otherwise. According to the contract, the School transfers 10 percent of the funds received from the State. In fiscal year 2009, the School paid fees amount of \$87,624 to Concept Schools for management services.

15. RELATED PARTIES

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



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*

Horizon Science Academy Denison Elementary School
Cuyahoga County
2261 Columbus Road
Cleveland, Ohio 44113

To the Board of Trustees:

We have audited the financial statements of the Horizon Science Academy Denison Elementary School, Cuyahoga County, Ohio, (the School) as of and for the initial year of operations ended June 30, 2009, and have issued our report thereon dated April 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the School's management in a separate letter dated April 12, 2010.

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 certain noncompliance or other matters that we reported to the School's management in a separate letter dated April 12, 2010.

We intend this report solely for the information and use of the management, the Board of Trustees, and the Community School's sponsor. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 12, 2010



Mary Taylor, CPA

Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Horizon Science Academy Denison Elementary School
Cuyahoga County
2261 Columbus Road
Cleveland, Ohio 44113

To the Board of Education:

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 Denison Elementary 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.

We noted the Board has not adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666(B).

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 and School's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 12, 2010

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Mary Taylor, CPA
Auditor of State

HORIZON SCIENCE ACADEMY DENISON ELEMENTARY SCHOOL

CUYAHOGA 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 11, 2010**