



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

HORIZON SCIENCE ACADEMY – CINCINNATI
HAMILTON COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013
Fiscal Year Audited Under GAGAS: 2013



Dave Yost • Auditor of State

Board of Trustees
Horizon Science Academy - Cincinnati
1055 Laidlaw Avenue
Cincinnati, Ohio 45237

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy - Cincinnati, Hamilton County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Horizon Science Academy - Cincinnati is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 14, 2014

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HORIZON SCIENCE ACADEMY – CINCINNATI
YEAR ENDED JUNE 30, 2013

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Horizon Science Academy - Cincinnati
Hamilton County
1055 Laidlaw Avenue
Cincinnati, Ohio 45237

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Horizon Science Academy - Cincinnati, Hamilton County, Ohio, (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Horizon Science Academy - Cincinnati, Hamilton County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2013, the School adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 2, 2013

**HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The discussion and analysis of Horizon Science Academy - Cincinnati, Inc.'s (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- The School's Net Position increased by \$174,762 from \$(14,452) to \$160,310
- The School had total operating revenues of \$2,985,585
- The School had total operating expenses of \$3,915,379
- The current liabilities increased by \$44,893
- The School received Federal and State Grants totaling of \$754,617

In the fiscal year ended June 30, 2013 the School increased its enrollment by 19%, from 374 to 446. The School started the 2013 school year with 494 students. For the fiscal year, the School received a management fee forgiveness of \$125,639 from its management company. Also, the School received equipment contributions from the E-Rate Program in the amount of \$223,400.

Using this Financial Report:

This annual report consists of three parts; Management's Discussion and Analysis, the Financial Statements and Notes to the Basic Financial Statements. The Financial Statements include a *Statement of Net Position*, a *Statement of Revenues, Expenses and Change in Net Position* and a *Statement of Cash Flows*.

These statements report the School's *net position* and changes to that position. This change is important because it tells the reader whether the financial position of the School has improved or diminished during the fiscal year. The cause of this change may be result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, changes in technology, required educational programs and other factors.

The *Statement of Net Position* and *Statement of Revenues, Expenses and Change in Net Position* reflect how the School performed financially during the fiscal year. These statements include 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 includes all the current year revenues and expenses regardless of when cash is received or paid. These statements can be found on pages 9 and 10 of this report.

The *Statement of Cash Flows* provides information about how the School financed and met the cash flow needs for its operations during the fiscal year. The *Statement of Cash Flows* can be found on pages 11 and 12 of this report.

**HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

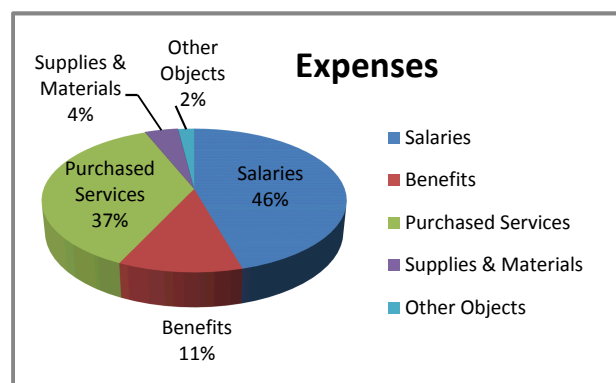
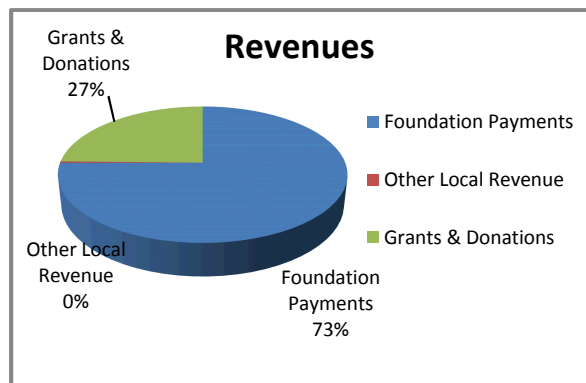
The following table provides a comparison of the School's Net position in fiscal years 2012 and 2013.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets		
Cash	\$ 74,601	\$ 5,825
Other Current Assets	35,386	117,607
Capital Assets	389,921	161,570
Total Assets	\$ 499,908	\$ 285,002
Liabilities		
Current Liabilities	\$ 339,598	\$ 294,705
Long Term Liabilities	0	4,749
Total Liabilities	339,598	299,454
Net Position	\$ 160,310	\$ (14,452)

In fiscal year 2013, the School's assets increased significantly. Capital assets in the form of furniture, equipment, and improvements to the facilities increased by 141%. The fixed asset addition in the amount of \$223,400 through the E-Rate Program was the main reason behind this increase. The School also recorded \$80,059 of depreciation for the fiscal year.

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

The Statement of Revenues, Expenses and Changes in Net Position shows the operating and non-operating activities that took place during the fiscal year. The following charts and tables are a summary of the Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2013.



**HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The following table is a comparison of the School's *Statement of Revenues, Expenses and Change in Net Position* for the fiscal years 2012 and 2013.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<u>Operational Income/Expense</u>		
Income		
Foundation Payments	\$ 2,971,643	\$ 2,450,339
Other Local Revenue	13,942	19,420
Total Operational Income	2,985,585	2,469,759
Expense		
Salaries	1,749,552	1,547,892
Benefits	435,546	403,363
Purchased Services	1,416,131	1,169,916
Supplies & Materials	158,413	117,107
Other Objects	75,678	64,535
Depreciation Expense	80,059	81,184
Total Operational Expense	3,915,379	3,383,997
Net Operational Loss	(929,794)	(914,238)
<u>Non-Operational Income/Expense</u>		
Federal Grants	750,075	789,424
State Grants	4,542	3,921
Management Fee Forgiveness	125,639	71,769
Capital Contributions – State Grants	224,300	0
Interest on Notes	0	(4,351)
Total Non-Operational Income	1,104,556	860,763
<u>Net position/Accumulated Deficit</u>		
Change in Net position	174,762	(53,475)
Net position at Beginning of Year	(14,452)	39,023
Net position at End of Year	\$ 160,310	\$ (14,452)

In the fiscal year 2013, the foundation revenue increase by 21% due to increased enrollment. Salaries increased by 13%, purchased services increased by 21%, and supplies and materials increased by 35% all related to the increase in enrollment. The School also received capital contributions through the E-Rate Program in the amount of \$224,300.

**HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Capital Assets and Debt Administration:

As of June 30, 2013, Horizon Science Academy- Cincinnati had \$389,921 invested in capital assets such as office equipment, school furniture, computers, and improvements to the facility, net of depreciation. The following table is a summary of Capital Assets as of June 30, 2013.

Capital Assets					
	Beginning			Ending	
	July 1, 2012	Additions	Deletions	June 30, 2013	
Furniture and Equipment	\$ 387,077	\$ 284,135	\$ (158,290)	\$ 512,922	
Vehicle	15,500	0	0	15,500	
Facility Improvements	50,500	24,275	0	74,775	
Total Fixed Assets	\$ 453,077	\$ 308,410	\$ (158,290)	\$ 603,197	
Less: Accumulated Depreciation	(291,507)	(80,059)	158,290	(213,276)	
Net Fixed Assets	\$ 161,570	\$ 228,352	\$ 0	\$ 389,921	

At June 30, 2013, the School had an outstanding capital lease. For further information regarding the School's capital lease obligation, see Note 10 to the basic financial statements.

Contacting the School's Financial Management:

This financial report is designed to provide citizens, grantors and potential creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Ryan Uysaler, Treasurer by mail at Concept Schools South Ohio Regional Office, 2356 Morse Rd. Columbus, OH 43235 or by phone at 614-428-7656.

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HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY

Statement of Net Position

As of June 30, 2013

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 74,601
Intergovernmental Receivable	35,386
Total Current Assets	109,987

Non-Current Assets

Capital Assets (Net of Accumulated Depreciation)	389,921
Total Assets	\$ 499,908

LIABILITIES & EQUITY

Current Liabilities

Accounts Payable	\$ 142,111
Accrued Wages	146,519
Payroll Liabilities	46,218
Capital Lease- Current	4,750
Total Current Liabilities	339,598
Total Liabilities	339,598

NET POSITION

Net Investment in Capital Assets	385,171
Unrestricted	(224,861)
Total Net Position	\$ 160,310

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**Statement of Revenues, Expenses
and Change in Net Position**
For the Fiscal Year Ended June 30, 2013

OPERATIONAL INCOME / EXPENSE

Income

Foundation Payments	\$ 2,971,643
Other Local Revenue	13,942

Total Operational Income 2,985,585

Expense

Salaries	1,749,552
Benefits	435,546
Purchased Services	1,416,131
Supplies & Materials	158,413
Other Objects	75,678
Depreciation Expense	80,059

Total Operational Expense 3,915,379

Net Operational Loss (929,794)

NON-OPERATIONAL INCOME / EXPENSE

Federal Grants	750,075
State Grants	4,542
Capital Contributions – State Grants	224,300
Management Fee Forgiveness	125,639

Net Non-Operational Income 1,104,556

NET POSITION

Change in Net Position **174,762**

Net Position at Beginning of Year (14,452)

Net Position at End of Year \$ 160,310

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY

Statement of Cash Flows
For Fiscal Year Ended June 30, 2013

Cash Flows from Operating Activities	
Cash Received from State of Ohio	\$ 2,971,643
Cash Received from Other Operating Revenues	13,942
Cash Payments to Suppliers for Goods and Services	(1,433,053)
Cash Payments to Employees for Services	(1,719,150)
Cash Payments for Employee Benefits	(456,959)
Other Cash Payments	(75,678)
Net Cash Used for Operating Activities	(699,255)
Cash Flows from Noncapital Financing Activities	
Federal Grants Received	833,196
State Grants Received	4,542
Net Cash Provided by Noncapital Financing Activities:	837,738
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(60,188)
Payments for Capital Leases	(9,519)
Net Cash Used for Capital and Related Financing Activities	(69,707)
Net Increase in Cash and Cash Equivalents	68,776
Cash and Cash Equivalents at Beginning of Year	5,825
Cash and Cash Equivalents at End of Year	\$ 74,601

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY

Statement of Cash Flows
For Fiscal Year Ended June 30, 2013
(Continued)

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

Operating Loss	\$ (929,794)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	80,059
Management fee Forgiveness	125,639
Changes in Assets and Liabilities	
Increase in Operating Accounts Payable	15,852
Decrease in Intergovernmental Payable	(10,071)
Increase in Accrued Wages	30,402
Decrease in Payroll Liabilities	(11,342)
Total Adjustments	<u>230,539</u>
Net Cash Used for Operating Activities	<u>\$ (699,255)</u>
Non Cash Transactions	
Management Fee Forgiveness	\$125,639
Capital Contributions	\$223,400

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Horizon Science Academy - Cincinnati, Inc. (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through twelve in Cincinnati. 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 is currently under contract for operation with the Educational Service Center of Lake Erie West (the Sponsor) for a period of five years commencing July 1, 2011 and ending on June 30, 2016.

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 2013 the School employed 46 full time and 2 part time personnel for up to 446 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 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 Position; a Statement of Revenues, Expenses, and Changes in Net Position; 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 position, 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 Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows provides information about how the School finances meets the cash flow needs of its enterprise activities.

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned 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

To improve cash management, all cash received by the School is pooled in a central bank account. Total cash amount at the end of the fiscal year is presented as "Cash and Cash Equivalents" in the Statement of Net Position. For the purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, any investment with an original maturity date less than 90 days is considered a cash equivalent and any investment with a maturity date greater than 90 days is considered an investment. The School did not have any investments during fiscal year 2013.

E. Capital Assets and Depreciation

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

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

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

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

In fiscal year 2013 the School participated in the State Foundation Program, Parity Aid Program, Special Education Program, Classroom Learning Opportunities Program, All Day Kindergarten Program and other State programs. Revenues received from these and other State programs are recognized as operating revenues. Amounts awarded under these programs in the fiscal year 2013 totaled \$2,971,643.

Grants from State and Federal Governments and donations are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the school must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis. Amounts awarded under these programs in fiscal year 2013 totaled \$754,617.

Capital contributions are recognized as non-operating revenues. Capital contributions were received through the State's E-Rate Program in the amount of \$224,300.

G. Operating Revenues and Expenses

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

H. Compensated Absences

School policy indicates that all full time employees are entitled to eight days of sick/personal days in a school year. All employees who have worked for the School for a total of 210 days will be allowed up to nine days per year of paid sick or personal leave and employees who have worked for the School for a total of 235 days will be allowed up to ten days per year of paid sick or personal leave. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year. The School compensates their employees \$125 per day for each unused sick/personal days at the end of the year.

I. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on the 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 position are available. At the end of the fiscal year ended June 30, 2013 the School did not have any restricted net position.

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Estimates

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

3. DEPOSITS AND INVESTMENTS

On June 30, 2013, the total carrying book balance of the School's bank account at Chase Bank was \$74,601 and the cleared bank balance was \$85,344. The bank balance was insured by FDIC up to \$250,000. The School had no investments at June 30, 2013 or at any time during the fiscal year.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

Capital Assets				
	Beginning			Ending
	July 1, 2012	Additions	Deletions	June 30, 2013
Furniture and Equipment	\$ 387,077	\$ 284,135	\$ (158,290)	\$ 512,922
Vehicle	15,500	0	0	15,500
Facility Improvements	50,500	24,275	0	74,775
Total Fixed Assets	\$ 453,077	\$ 308,410	\$ (158,290)	\$ 603,197
Less: Accumulated Depreciation	(291,507)	(80,059)	158,290	(213,276)
Net Fixed Assets	\$ 161,570	\$ 228,352	\$ 0	\$ 389,921

5. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system.

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

5. DEFINED BENEFIT PENSION PLANS (Continued)

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

5. DEFINED BENEFIT PENSION PLANS (Continued)

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

The School's required contributions to STRS Ohio were \$232,610 for the fiscal period ended June 30, 2013, \$201,170 for the fiscal year ended June 30, 2012, and \$172,516 for the fiscal year ended June 30, 2011. For fiscal year 2013, 94 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description – The School participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$11,587, \$15,455 and \$19,517, respectively. For fiscal year 2013, 92 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. The Board's liability for Social Security is 6.2 percent of wages paid.

6. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

6. POSTEMPLOYMENT BENEFITS (Continued)

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$16,615, \$14,369, and \$12,323 respectively. For fiscal year 2013, 94 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$612, \$880, and \$1,060 respectively. For fiscal year 2013 and previous years, 100 percent has been contributed.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

6. POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge when added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. During fiscal year 2013, the School paid \$1,835 in surcharge. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$132, \$645, and \$1,994, respectively. For fiscal year 2013 and previous years, 100 percent has been contributed.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employers/Audit Resources*.

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. For fiscal year 2013, the School contracted with Selective Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate with no deductible. The School did not make any claims in the fiscal year.

The School also 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. The School paid 100% of its premiums for the fiscal year ended June 30, 2013.

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

According to the School Policy, the School is required to provide Medical and Dental Insurance to all of 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.

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2013 were as follows:

Purchased Services	
Type	Amount
Instructional Services	90,691
Rent and Property Services	561,443
Management Fees	349,291
Advertising and Communications	66,452
Contracted Food Services	184,534
Extra-Curricular Activities	21,220
Professional Development	61,170
Other Professional Technical Services	81,330
Total	\$ 1,416,131

10. CAPITAL LEASES

In previous years the School entered into several capitalized lease agreements. In September 2008, the School entered into a lease agreement for 60 months with Comdoc Inc. for two copy machines. At the time of the purchase the total cash value of the copiers was \$23,458. In November 2008, the School purchased 32 computers through a lease agreement with Relational LLC. The costs of the computers were \$20,992. In December 2008, the School entered into a lease agreement for the installation of a Playground for the elementary school. The cost of the Playground was \$25,000. In February 2009, the School entered into another lease agreement with Comdoc Inc. for a third copy machine. The cash value of this machine was \$12,300.

All of the assets acquired by the above lease agreements have been capitalized in the statement of net position in the amount of \$81,750, which is equal to the present value of the minimum lease payments at the time of acquisition. The accumulated depreciation on those capital assets at the end of the fiscal year was \$65,819. A corresponding liability was recorded on the statement of net position.

All of the leases meet the criteria of a capital lease as defined by accounting principles generally accepted in the United States of America, which define a capital lease generally as one which transfers benefits and risks of ownership to the lessee. During the fiscal year principal payments totaled \$9,519. The following is a schedule of the future minimum lease payments required for the capital leases as of June 30, 2013:

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

10. CAPITAL LEASES (Continued)

	Total Payment	Interest	Principal
2014	4,858	108	4,750
Total Minimum Lease Payments	\$ 4,858	\$ 108	\$ 4,750

11. OPERATING LEASES

On July 1, 2005, the school entered into a lease agreement with Breeze Inc., a subsidiary of New Plan Learning which is a non-profit organization established to acquire and manage school facilities for community schools, for the facilities located at 1055 Laidlaw Ave. Cincinnati, OH 45237 for five years. In June 2007, the agreement was extended for another five years until 2015. In fiscal year 2013, the contracted annual rent was \$394,787 with an annual increase of 4%, however Breeze Inc. reduced the annual rent to \$336,000 for fiscal year 2013.

12. CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2013.

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 School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

13. SPONSORSHIP AGREEMENT

On July 1, 2004, the School signed a sponsorship agreement with Lucas County Educational Services. 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. In June 2011 the original contract has been extended until June 30, 2016. According to the contract, the School pays 1.5% of its foundation revenues to the Sponsor. In fiscal year 2013, the school's compensation to the Sponsor was \$44,284. Effective January 1, 2012, Lucas County Educational Service Center changed their name to Educational Service Center of Lake Erie West.

HORIZON SCIENCE ACADEMY- CINCINNATI
HAMILTON COUNTY
**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

14. MANAGEMENT COMPANY AGREEMENT

School contracted with Concepts Schools, Inc. on March 15, 2006 to serve as the School's Management Company. The contract is renewed automatically every year in one year terms unless the school or the management company decides otherwise. According to the contract the school transfers 12% of the funds received from State. The total management fees incurred in the fiscal year 2013 was \$349,391. The School's paid \$223,652 and remaining \$125,639 was forgiven by Concept Schools.

15. CHANGES IN ACCOUNTING PRINCIPLES

For 2013, the School implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

The implementation of GASB Statement No. 62 had no effect on the financial statements, while GASB Statement No. 63 resulted in certain account name changes in the financial statements.

Horizon Science Academy - Cincinnati
Hamilton County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
United States Department of Agriculture				
<i>Passed through Ohio Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
National School Lunch Program	3L60	10.555	\$ 179,734	\$ 179,734
School Breakfast Program	3L70	10.553	70,137	70,137
Total Child Nutrition Cluster			<u>249,871</u>	<u>249,871</u>
Total United States Department of Agriculture			<u>249,871</u>	<u>249,871</u>
United States Department of Education				
<i>Passed through Ohio Department of Education</i>				
<i>Title I, Part A Cluster:</i>				
Title I Grants to Local Educational Agencies	3M00	84.010	422,938	380,252
Total Title I, Part A Cluster			<u>422,938</u>	<u>380,252</u>
<i>Special Education Cluster (IDEA):</i>				
Special Education - Grants to States	3M20	84.027	114,700	90,235
Total Special Education Cluster (IDEA)			<u>114,700</u>	<u>90,235</u>
<i>Education Technology State Grants Cluster:</i>				
Educational Technology State Grants	3S20	84.318	2,097	-
Total Education Technology State Grants Cluster			<u>2,097</u>	<u>-</u>
Education Jobs Fund	3ET0	84.410	17,722	-
Improving Teacher Quality State Grants	3Y60	84.367	11,420	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	30,820	38,512
			<u>59,962</u>	<u>38,512</u>
Total United States Department of Education			<u>599,697</u>	<u>508,999</u>
Total Federal Financial Assistance			<u>\$ 849,568</u>	<u>\$ 758,870</u>

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

Horizon Science Academy - Cincinnati
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Horizon Science Academy - Cincinnati
Hamilton County
1055 Laidlaw Avenue
Cincinnati, Ohio 45237

To the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Horizon Science Academy - Cincinnati, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 2, 2013 wherein we noted that the School implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 2, 2013



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Horizon Science Academy - Cincinnati
Hamilton County
1055 Laidlaw Avenue
Cincinnati, Ohio 45237

To the Board:

Report on Compliance for Each Major Federal Program

We have audited Horizon Science Academy - Cincinnati's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Horizon Science Academy - Cincinnati's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School's major federal program.

Management's Responsibility

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for the School's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on the Major Federal Program

In our opinion, Horizon Science Academy - Cincinnati complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 2, 2013

**Horizon Science Academy - Cincinnati
Hamilton County**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Horizon Science Academy - Cincinnati
Hamilton County**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2013**

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

None noted

3. FINDINGS FOR FEDERAL AWARDS

None noted



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Independent Accountants' Report on Applying Agreed-Upon Procedures

Horizon Science Academy - Cincinnati
Hamilton County
1055 Laidlaw Avenue
Cincinnati, Ohio 45237

To the Board:

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

1. We noted the Board amended its anti-harassment policy at its meeting on July 28, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 2, 2013

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Dave Yost • Auditor of State

HORIZON SCIENCE ACADEMY - CINCINNATI

HAMILTON 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
FEBRUARY 27, 2014**