HORIZON SCIENCE ACADEMY - DAYTON
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

HORIZON SCIENCE ACADEMY - DAYTON
MONTGOMERY COUNTY

TABLE OF CONTENTS

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Horizon Science Academy-Dayton
Montgomery County
545 Odlin Ave.
Dayton, OH 45405

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of Horizon Science Academy - Dayton, Montgomery County, (the Academy), as of and for the fiscal year ended June 30, 2008, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizon Science Academy – Dayton, Montgomery County, as of June 30, 2008, and the changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements indicate the Academy has incurred a working capital deficiency of $116,372, an operating loss of $77,696, and an accumulated deficit of $129,079. Management's plans regarding these matters are described in Note 21.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 12, 2009

The discussion and analysis of Horizon Science Academy-Dayton, Inc.'s (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2008. Readers should also review the financial statements and notes to enhance their understanding of the Academy's financial performance.

Financial Highlights:

Key financial highlights for Fiscal Year 2008 are as follows:

- Total net assets increased by $185,022
- The Academy had total operating revenues of $1,227,355
- The Academy had total operating expenses of $1,305,051
- The current liabilities decreased by $53,648
- The Academy received Federal and State Grants totaling $265,674

Using this Financial Report:

This annual report consists of a series of financial statements and notes to those statements.

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Accumulated Deficit* reflect how the Academy did financially during Fiscal Year 2008. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The Academy uses enterprise presentation for all of its activities.

Table 1 provides a comparison of the Academy's net assets for the period ended June 30, 2007 and Fiscal Year 2008.

Table 1
Net Assets

	June 30, 2008	June 30, 2007 (Restated)
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 26,470	($ 1,655)
Prepaid Items	5,337	
Intergovernmental Receivable	19,304	48,192
Total Current Assets	51,111	46,537
Non-Current Assets:		
Capital Assets (Net of Accumulated Depreciation)	46,439	57,645
Total Non-Current Assets	46,439	57,645
Total Assets	97,550	104,182

(Continued)

Table 1
Net Assets
(Continued)

	June 30, 2008	June 30, 2007 (Restated)
Liabilities & Equity:		
Current Liabilities:		
Accounts Payable	20,460	90,441
Accrued Wages	54,452	53,628
Payroll Liabilities	1,316	44,243
Intergovernmental Payable		7,781
Long-Term Debt and Other Obligations-Current Portion	91,255	24,993
Total Current Liabilities	167,438	221,086
Long-Term Liabilities:		
Due in More Than One year	59,146	197,197
Total Long-Term Liabilities	59,146	197,197
Total Liabilities	226,629	478,283
Net Assets:		
Investment in Capital Assets, Net of Debt	32,031	37,900
Restricted		83,620
Unrestricted	(161,110)	(435,621)
Total Net Assets	($129,079)	($314,101)

Total assets decreased $6,632, mainly due to a decrease in intergovernmental receivables. Capital assets, net of depreciation decreased by $11,206. Liabilities decreased by $251,654 primarily due to the management company forgiving $175,767 in management fees during fiscal year 2008 and to a decrease in the long-term liabilities payable. The increase in unrestricted net assets was $274,511 which was the result of the management company forgiving $175,767 in management fees during fiscal year 2008.

Table 2 provides a comparison of the Academy's Revenues & Expenses and Changes in Net Assets for the period ending June 30, 2007 and Fiscal Year 2008

Table 2
Change in net Assets

	June 30, 2008	June 30, 2007 (Restated)
Operational Income/Expense		
Income		
Foundation Payments	$1,187,668	$1,257,409
Poverty Based Assistance		42,442
Donated Management Co. Fee		56,105
Breeze, Inc. Donated Leases		66,650
Instructional Fees	2,875	5,516
Extracurricular Activities	5,019	9,089
Food Services	12,200	8,015
Other Local Revenue	19,593	14,344
Total Operational Income	1,227,355	1,459,570

(Continued)

HORIZON SCIENCE ACADEMY- DAYTON
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)

Table 2
Change in net Assets
(Continued)

	June 30, 2008	June 30, 2007 (Restated)
Expenses:		
Salaries	660,070	836,017
Benefits	160,514	200,201
Purchased Services	361,529	441,435
Supplies & Materials	49,204	62,413
Depreciation Expense	18,886	16,916
Other Objects	54,848	33,404
Total Operational Expense	1,305,051	1,590,386
Net Operational Income	(77,696)	(130,816)
Non-Operational Income/Expense		
Federal Grants	257,701	185,358
State Grants	7,973	5,000
Gifts and Contributions		235
Donated Loans		36,944
Interest Payments	(2,956)	(6,832)
Net Non-Operational Income	262,718	220,705
Net Assets		
Change in Net Assets	185,022	89,889
Net Assets at Beginning of Year	(314,101)	(403,990)
Net Assets at End of Year	($ 129,079)	($ 314,101)

The decrease in revenues and expenditures is a result of the decrease in enrollment. The Academy's enrollment was down to 189 students in Fiscal Year 2008 comparing to up to 216 students in Fiscal Year 2007. The decrease is also due to a decrease in donated leases and management company fees.

Table 3 shows the distribution of revenues in Fiscal Year 2008.

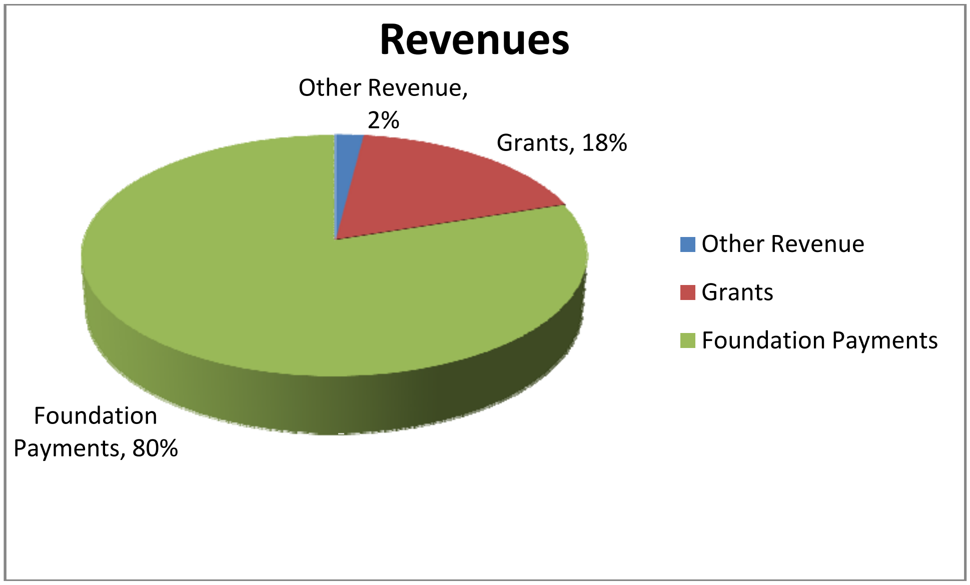

Table 4 shows the distribution of expenses in Fiscal Year 2008.

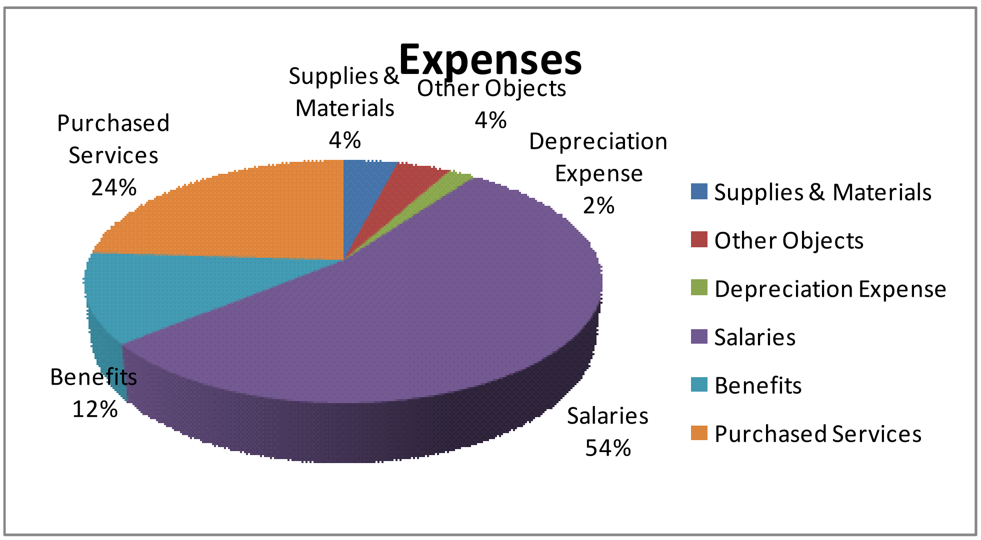

Table 5 shows the Capital Assets net of Accumulated Depreciation.

Capital Assets				
	Balance June 30, 2007	Additions	Deletions	Ending June 30, 2008
Instructional Furniture & Equipment	$80,854	$ 3,903		$84,757
Office Furniture & Equipment	9,132	4,737	$1,172	12,697
Total Fixed Assets	89,986	8,640	1,172	97,454
Less: Accumulated Depreciation	(32,341)	(18,886)	(212)	(51,015)
Net Fixed Assets	$57,645	($10,246)	$ 960	$46,439

At the end of fiscal year 2008, the Academy had $46,439 in capital assets which represented a decrease of $11,206 from fiscal year 2007, which was primarily due to depreciation expense for fiscal year 2008.

Debt

At June 30, 2008, the Academy had $135,993 in notes payable to various entities. Of this amount, $85,493 is due within one year and the remaining amount of $50,500 is due in more than one year. The Academy is not required to pay any interest on the notes payable.

The Academy also has copier capital leases in which $14,408 is still due. $5,762 is due within one year with the remaining amount of $8,646 due in more than one year.

The notes to the basic financial statements provide additional information about the Academy's long-term liabilities.

Current Financial Related Activities

The Academy's financial outlook over the next several years shows continued growth as enrollment is projected to increase.

While the Academy had a loss in fiscal year 2008, forecasts for growth are good. The Academy is still eligible for federal sub-grant funds.

Contacting the Academy's Financial Management:

This financial report is designed to provide citizens, grantors and potential creditors with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Omer Yaliniz, Fiscal Officer, Horizon Science Academy- Dayton Inc., 545 Odlin Ave. Dayton, OH 45405.

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HORIZON SCIENCE ACADEMY-DAYTON
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS / ACCUMULATED DEFICIT
JUNE 30, 2008

Assets:	
Current Assets	
Cash and Cash Equivalents	$26,470
Intergovernmental Receivable	19,304
Prepaid Items	5,337
Total Current Assets	51,111
Non-Current Assets	
Capital Assets (Net of Accumulated Depreciation)	46,439
Total Non-Current Assets	46,439
Total Assets	97,550
Liabilities:	
Current Liabilities	
Accounts Payable	20,460
Accrued Wages	54,452
Payroll Liabilities	1,316
Due Within One Year	91,255
Total Current Liabilities	167,483
Long-Term Liabilities	
Due in More Than One Year	59,146
Total Long-Term Liabilities	59,146
Total Liabilities	226,629
Net Assets / Accumulated Deficit	
Invested in Capital Assets, Net of Related Debt	32,031
Unrestricted	(161,110)
Total Net Assets / Accumulated Deficit	($129,079)

See accompanying notes to the basic financial statements.

HORIZON SCIENCE ACADEMY-DAYTON
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN ACCUMULATED DEFICIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues:	
Foundation Payments	$1,187,668
Instructional Fees	2,875
Extracurricular Activities	5,019
Food Services	12,200
Other Local Revenue	19,593
Total Operating Revenues	1,227,355
Operating Expenses	
Salaries	660,070
Benefits	160,514
Purchased Services	361,529
Supplies & Materials	49,204
Other Objects	54,848
Depreciation Expense	18,886
Total Operating Expenses	1,305,051
Operating Loss	(77,696)
Non-Operating Revenues	
Federal Grants	257,701
State Grants	7,973
Interest Payments	(2,956)
Total Non-Operating Revenues	262,718
Change in Net Assets	185,022
Net Assets at Beginning of Year (Restated - See Note 3)	(314,101)
Net Assets Accumulated Deficit End of Year	($129,079)

See accompanying notes to the basic financial statements.

HORIZON SCIENCE ACADEMY-DAYTON
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows Used for Operating Activities:	
Cash Received from State of Ohio	$1,187,668
Cash Received from Other Operating Revenues	39,687
Cash Payments to Suppliers for Goods and Services	(480,170)
Cash Payments to Employees for Services	(650,833)
Cash Payments for Employee Benefits	(224,972)
Other Cash Payments	(54,848)
Net Cash Used For Operating Activities	(183,468)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal Government	286,589
Cash Received from State	7,973
National City Line of Credit Payments	(19,697)
Note Payments	(46,563)
Interest Payments	(2,956)
Net Cash Provided by Noncapital Financing Activities	225,346
Cash Flows Used for Capital and Related Financing Activities	
Payments for Capital Acquisitions	(8,640)
Payments for Capitalized Leases	(5,113)
Net Cash Used for Capital and Related Financing Activities	(13,753)
Net Increase in Cash and Cash Equivalents	28,125
Cash and Cash Equivalents at Beginning of Year	(1,655)
Cash and Cash Equivalents at End of Year	26,470
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(77,696)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	18,886
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(69,946)
Decrease in Payroll Liabilities	(42,927)
Increase in Wages Payable	824
Decrease in Intergovernmental Payable	(7,781)
Decrease in Intergovernmental Receivable	509
Increase in Prepaid Items	(5,337)
Net Cash Used In Operating Activities	($183,468)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Horizon Science Academy-Dayton, Inc. (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades six through twelve in Dayton. The Academy, 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 Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy has been approved as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing November 18, 2004.

The Academy 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 2008, the Academy employed 19 full time and part time personnel for up to 189 students.

The Board of Trustees has entered into a management contract with Concept Schools Inc., a not for-profit corporation, for management services and operation of its Academy. In exchange for its services, Concept Schools receives ten percent of state funds received by the Academy, see Note 17. The Academy is associated with other Horizon Science Academies throughout the State which are defined as related organizations. These organizations are presented in Note 20 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy 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 Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB statements issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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 Academy are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the Academy finances meets the cash flow needs of its enterprise activities.

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

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, Community Schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy’s contract with its Sponsor. The contract between the Academy and its Sponsor requires a spending plan for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705, except for Section 5705.391 as it relates to Five-Year Forecasts.

D. Cash

To improve cash management, all cash received by the Academy is pooled in a central bank account. The Academy did not have any investments during Fiscal Year 2008.

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 Academy maintained a capitalization threshold of one thousand dollars for inventory assets and ten thousand 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. The Academy does not capitalize interest.

Furniture, fixtures, vehicles and equipment are depreciated using the straight-line method over the estimated useful lives. See table of useful lives below. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Intergovernmental Revenues

In Fiscal Year 2008, the Academy participated in the State Foundation Program, and Special Education Program. Revenues received from these programs and other State programs are recognized as operating revenues. The amount of these grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and fulltime equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

G. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the Statement of Net Assets.

H. Operating Revenues and Expenses

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

I. Compensated Absences

Academy policy indicates that all full time employees are entitled to eight days of sick/personal days in a school year. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year. At the end of the year employees are awarded $100 per each unused sick/personal day.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At the end of the fiscal year ended June 30, 2008 the Academy did not have any restricted net assets.

K. Estimates

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

3. RESTATEMENT OF PRIOR YEAR NET ASSETS

Net assets of the Horizon Science Academy were restated at June 30, 2007, to account for the write off of the Management Company Fees in the amount of $60,000. The entire amount forgiven by the Management Company in 2008 was $175,767, but only $60,000 were attributable to fees incurred during the prior fiscal year. This change had the following effect on beginning net assets:

Net Assets, June 30, 2007	($374,101)
Restatement for write off of Management Company Fees	60,000
Restated Net Assets, June 30, 2007	($314,101)

4. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the Academy has implemented GASB Statement No. 45, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 8) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

5. DEPOSITS AND INVESTMENTS

At June 30, 2008, the book balance of the Academy's bank account at National City Bank was $26,470 and the Bank balance was $55,340. The bank balance is insured by FDIC up to $100,000. The Academy had no investments at June 30, 2008 or during the fiscal year.

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

The Academy 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 Academy 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% of the deposits being secured.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

Capital Assets	Balance June 30, 2007	Additions	Deletions	Ending June 30, 2008
Instructional Furniture & Equipment	$80,854	$ 3,903		$84,757
Office Furniture & Equipment	9,132	4,737	$1,172	12,697
Total Fixed Assets	89,986	8,640	1,172	97,454
Less: Accumulated Depreciation	(32,341)	(18,886)	(212)	(51,015)
Net Fixed Assets	$57,645	($10,246)	$ 960	$46,439

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy 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.

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for Fiscal Year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $5,711, $5,389, and $7,838 respectively; 100 percent has been contributed for fiscal year 2008 and previous fiscal years.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, 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.

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For Fiscal Year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $77,440, $111,288, and $92,117 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

8. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 Internal Revenue Code Section 401h. For 2008, 4.18 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 2008, this amount was $1,516.

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 Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $2,606, $1,422, and $2,111 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $411, $366, and $624 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

8. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan.

All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $5,957, $7,949, and $7,086 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

9. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During Fiscal Year 2008, the Academy contracted with The Cincinnati 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.

B. Workers Compensation

The Academy 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 Academy did not owe for this premium as of June 30, 2008.

10. EMPLOYEE MEDICAL AND DENTAL BENEFITS

The Academy has contracted with a private carrier to provide employee medical and dental coverage. 60% of the monthly premiums for Medical and Dental coverage are to be paid by the Academy while the remaining 40% are to be deducted from employee's wages.

11. PURCHASED SERVICES

Purchased service expenses during fiscal year 2008 were as follows:

Purchased Services

Type	Amount
Professional Services	$ 53,532
Rent and Property Services	208,732
Advertising and Communications	27,688
Pupil Transportation	6,268
Staff Transportation	7,128
Food Services	58,181
Total	$361,529

12. OPERATING LEASES

The Academy entered into an operating sublease agreement with Breeze Inc. at the beginning of the fiscal year 2006 for school facilities on Odlin Ave. One December 21, 2006, an Amendment, Assignment, and Assumption of Lease between Our Lady of Mercy Church, Breeze, Inc., and Horizon Science Academy – Dayton was executed. According to the current lease agreement, the monthly rent is $11,675 for facilities and $775 for the parking lot with an annual increase of 4%.

13. CAPITAL LEASES

During fiscal year 2006, the Academy entered into a capitalized lease for the purchase of a Toshiba E810 copier. During fiscal year 2007, the Academy entered into a capitalized lease for the purchase of a Sharp 2700 copier. Both leases meet 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 risks of ownership to the lessee.

The copier acquired by the lease has been capitalized in the statement of net assets in the amount of $19,980 for the Toshiba and $7,960 for the Sharp which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was split between long-term liabilities due within one year and long-term liabilities due in more than one year on the statement of net assets.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Capital Leases Payment Schedule

Fiscal Year Ended June 30	Lease Payments	Interest	Principal
2009	$ 6,776	$1,014	$ 5,762
2010	6,776	530	6,246
2011	1,920	148	1,772
2012	640	12	628
Total Lease Payments	$16,112	$1,704	$14,408

14. LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One - Year
Notes Payable					
Breeze, Inc. Note Payable – 0.00 percent	$106,000		($5,000)	$101,000	50,500
Concepts School Note Payable – 0.00 percent	76,556		(41,563)	34,993	34,993
Line of Credits					
National City Bank Line of Credit #2 – Prime #3.50 percent	19,697		(19,697)		
Capital Leases					
Copier Capital Lease – 7.73 percent	12,892		(3,973)	8,919	4,289
Copier Capital Lease – 9.25 percent	6,629		(1,140)	5,489	1,473
Total Long-Term Debt and Other Obligations	$221,774	$0	($71,373)	$150,401	$91,255

A. Breeze, Inc. Note Payable

The Academy entered into an interest free note with Breeze, Inc. in the amount of $106,000 for the purpose of paying the Academy's operating expenses and to facilitate cash flow on a short-term basis. The Academy is to make four (4) equal installments of $26,500 commencing on January 1, 2009 with a final payment due by December 31, 2009. One payment of $5,000 was made on this loan during the fiscal year. The total balance due at the end of Fiscal Year 2008 is $101,000.

B. Concept Schools Note Payable

The Academy entered into an interest free note with Concept Schools in the amount of $113,500 for the purpose of paying the Academy's operating expenses and to facilitate cash flow on a short-term basis. The beginning balance of this note was $76,556 for Fiscal Year 2008.

The Academy made payments on this note, totaling $41,563 during the fiscal year, and the remaining balance is $34,993. The note is to be paid in full by June 30, 2009.

C. National City Bank Line of Credit

The Academy received a line of credit from National City Bank in the prior fiscal year, with a balance of $19,697 at the beginning of the current audit period. The interest rate on the line of credit is prime plus 3.50 percent. This line of credit was paid in full during the fiscal year.

D. Copier Capital Lease – Toshiba Copier

The Academy entered into a five year lease agreement with Dollar Leasing Corp. for the purpose of leasing a Toshiba 810 copier valued at $19,980. The interest rate on the lease is 7.73 percent. See note 13.

14. LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

E. Copier Capital Lease – Sharp Copier

The Academy entered into a five year lease agreement with Dollar Leasing Corp. for the purpose of leasing a Sharp 2700 copier valued at $7,960. The interest rate on the lease is 9.25 percent. See note 13.

Annual debt service requirements to maturity are as follows:

Breeze, Inc. Note Payable			
Fiscal Year Ended June 30	**Principal**	**Interest**	**Total**
2009	$50,500		$50,500
2010	50,500		50,500
	$101,000		$101,000

Concept Schools Note Payable			
Fiscal Year Ended June 30	**Principal**	**Interest**	**Total**
2009	$34,993		$34,993
Total	$34,993		$34,993

15. CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

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 Academy. 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. The review of fiscal year 2008 determined that ODE owed the Academy $2,555. This amount was not material to the financial statements, thus has not been included.

C. Litigation

The Academy is currently not a defendant in any lawsuits.

16. SPONSORSHIP AGREEMENT

On November 18, 2004, the Academy signed a sponsorship agreement with Lucas County Educational Services (Sponsor). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. On May 2, 2008 the original contract has been extended until July 1, 2012. According to the contract, the Academy pays 1% of its foundation revenues to the Sponsor. This rate will be increased to 1.5% as of July 1, 2009. In Fiscal Year 2008, the Academy's compensation to the Sponsor was $13,908, which includes the May and June payment from Fiscal Year 2007.

17. MANAGEMENT COMPANY AGREEMENT

The Academy contracted with Concepts Schools, Inc. on January 1, 2005 to serve as the Academy's Management Company. The contract is renewed automatically every year in one year terms unless the Academy or the management company decides otherwise. According to the contract the Academy transfers 10% of the funds received from State.

Terms of the contracts require Concept Schools to provide the following:

A. Human Resources;

B. Professional Development for Academy Board;

C. Professional Development for Academy Administrators and Teachers;

D. Accreditation and Recognition (including contract renewal);

E. Strategic Planning;

F. Grant Writing;

G. After School Program Design;

H. Technology Support;

I. Database Management (student related);

J. Facility Management;

K. Marketing Materials;

L. Curriculum Development;

M. Public Relation Services, and;

N. Purchasing Services

Total incurred management fees in the fiscal year was $118,767. The Academy paid only $3,000 and the rest of the fees were written off by the management company on June 30, 2008.

18. JOINTLY GOVERNED ORGANIZATION

The Academy is a participant in the Metropolitan Educational Council (MEC) which is a computer consortium. MEC is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. MEC provides computer services to the Academy.

19. RECEIVABLES

Receivables at June 30, 2008 consisted of intergovernmental receivables in the amount of $19,304. All receivables are considered collectible in full and are expected to be received within one year. A summary of intergovernmental receivables follows:

Title 1 Grant	$10,280
Title II-A Teacher Quality Grant	2,208
Title II-D Technology Grant	1,259
Title IV Drug Free Schools	2,223
Title V Innovative Programs Grant	209
Title VI-B IDEA Grant	3,125
Total Intergovernmental Receivable	$19,304

20. RELATED PARTIES

A. Governing Board and Management Company

The Board members for the Academy are also Board members for one other Horizon Science Academy School in Ohio that is managed by the same management company, Concept Schools. Members of the Board of trustees are not compensated. The Management Company receives 10% of state funds as management company fee. See Note 17.

B. Breeze, Inc. Note Payable

The Academy entered into an interest free note with Breeze, Inc. in the amount of $106,000 for the purpose of paying the Academy's operating expenses and to facilitate cash flow on a short-term basis. The Academy is to make four (4) equal installments of $26,500 commencing on January 1, 2009 with a final payment due by December 31, 2009. One payment of $5,000 was made on this loan during the fiscal year. See Note 14.

C. Concept Schools Note Payable

The Academy entered into an interest free note with Concept Schools in the amount of $113,500 for the purpose of paying the Academy's operating expenses and to facilitate cash flow on a short-term basis. The beginning balance of this note is $76,556. The Academy made payments on this note, totaling $41,563 during the fiscal year, and the remaining balance is $34,993. The note is to be paid in full by June 30, 2009.

21. MANAGEMENT'S PLANS REGARDING CONTINUED EXISTENCE

As shown in the accompanying financial statements, the Academy has an accumulated deficit of $129,079 at June 30, 2008, which is primarily due to $150,401 in outstanding debt, and $76,288 in payables for outstanding purchases for goods and services received in fiscal year 2008 that have not been paid for and for wages and benefits owed to employees and various agencies for work performed in fiscal year 2008.

The Academy's long range plans are to seek increased enrollment.

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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-Dayton
Montgomery County
545 Odlin Ave
Dayton, Ohio 45405

To the Board of Trustees:

We have audited the financial statements of the business-type activities of Horizon Science Academy-Dayton, Montgomery County, (the Academy), as of and for the fiscal year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 12, 2009, wherein we noted the Academy has incurred a working capital deficiency of $116,372, an operating loss of $76,696 and an accumulated deficit of $129,079. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of 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.

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Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain 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 noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 12, 2009.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 12, 2009

HORIZON SCIENCE ACADEMY - DAYTON
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	ORC 3314.03 (B)(5) and AOS Bulletin 2000-005 – the 2007 financial report required numerous reclassifications and adjustments .	Yes	
2007-002	Board’s Failure to Approve New Debt – the Board did not approve entering into the line of credit or into the lease agreement	Yes	

Mary Taylor, CPA
Auditor of State

HORIZON SCIENCE ACADEMY-DAYTON

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 14, 2009

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