

Horizon Science Academy of Springfield

Lucas County

Regular Audit

July 01, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Horizon Science Academy of Springfield
630 South Reynolds Road
Toledo, Ohio 43615

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy of Springfield, Lucas County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 of Springfield is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 18, 2009

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Horizon Science Academy of Springfield
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For the Fiscal Year Ended June 30, 2008

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Horizon Science Academy of Springfield
630 South Reynolds Road
Toledo, Ohio 43615

We have audited the accompanying financial statements of the business-type activities of the Horizon Science Academy of Springfield, Lucas County, Ohio (the Academy), as of and for the 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 the 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.

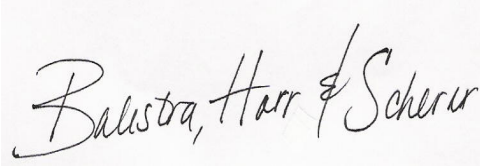
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Academy, as of June 30, 2008, and the respective changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 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 the internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management 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 methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Horizon Science Academy of Springfield
Independent Auditor's Report
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As described in Note 17, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB statement No. 25 and No. 27*, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

April 30, 2009

Horizon Science Academy of Springfield
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

The discussion and analysis of Horizon Science Academy of Springfield'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 assets were \$80,749.
- Total liabilities were \$248,109.
- Total net assets decreased \$107,482.

Using this Financial Report

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

Reporting the Academy as a Whole

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

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

The statement of net assets and the statement of revenues, expenses and change in net assets report the activities of the Academy, which encompass all the Academy's services, including instruction, supporting services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

Horizon Science Academy of Springfield
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

Table 1 provides a comparison of net assets as of June 30, 2008 with net assets as of June 30, 2007.

Table 1

	Net Assets	
	2008	2007*
<u>Assets</u>		
Current and Other Assets	\$6,174	\$18,676
Capital Assets, Net	74,575	86,103
Total Assets	80,749	104,779
<u>Liabilities</u>		
Current Liabilities	248,109	78,670
Non-Current Liabilities	0	85,987
Total Liabilities	248,109	164,657
<u>Net Assets</u>		
Invested in Capital Assets	73,588	81,529
Unrestricted	(240,948)	(141,407)
Total Net Assets	(\$167,360)	(\$59,878)

*Certain reclassifications were made for consistency in reporting between years.

Total assets decreased \$24,030 due to a decrease in cash and cash equivalents of \$7,218, intergovernmental receivables of \$5,284, and capital assets of \$11,528. Intergovernmental receivables decreased due to the more timely receipt of Federal funds during 2008. Capital assets decreased as a net effect of additions, deletions, and depreciation expense. Total liabilities increased \$83,452 primarily due to an increase in accounts payable of \$105,898, which was partially offset by a decrease in notes payable and capital lease payables, which resulted from principal payments on outstanding debt and capital lease balances. Accounts payable increased due to increase payables related to a delay in payment of operating leases and pupil transportation fees.

Horizon Science Academy of Springfield
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

Table 2 shows the changes in net assets for the fiscal years 2007 and 2008.

Table 2

Revenues, Expenses and Change in Net Assets		
	2008	2007*
<u>Operating Revenue/Expense</u>		
Revenues		
Foundation Payments	\$1,020,853	\$848,045
Food Services	4,721	6,759
Classroom Fees	2,456	2,363
Extracurricular Activities	2,393	1,784
Donated Management Fee	57,968	99,546
Other Local Revenue	7,102	4,809
Total Operating Revenues	1,095,493	963,306
Expenses		
Salaries	646,127	582,360
Fringe Benefits	161,865	127,396
Purchased Services	455,284	245,802
Materials and Supplies	100,926	86,929
Other Expenses	29,842	17,111
Depreciation Expense	18,514	17,096
Total Operating Expenses	1,412,558	1,076,694
Net Operating Loss	(317,065)	(113,388)
<u>Non-Operating Revenues/Expenses</u>		
Restricted Grants In Aid- Federal	203,174	154,650
Restricted Grants In Aid- State	6,876	5,954
Interest Expense	(467)	(984)
Total Non-Operating Revenues/Expenses	209,583	159,620
<u>Net Assets</u>		
Change in Net Assets	(107,482)	46,232
Net Assets at Beginning of Year	(59,878)	(106,110)
Net Assets at End of Year	(\$167,360)	(\$59,878)

*Certain reclassifications were made for consistency in reporting between years.

Foundation support and Federal grants increased \$172,808 and \$48,524, respectively, primarily due to an increase in enrollment. Donated management fees decreased \$41,578 due to higher payments to Concept Schools in 2008 as compared to 2007. Salaries and benefits increased \$98,236 due to increases in pay rates and benefits costs. Purchased services increased \$209,482 due primarily to higher pupil transportation and utility costs.

Foundation support is the primary support of the Academy, comprising 93.19% of operating revenue and 78.19% of total revenues. The Academy also received a significant portion of federal grants and in-kind contributions, which represent 15.56% and 4.44% of total revenue, respectively. Salaries and benefits comprise the largest portion of operating expenses, representing 57.18% of total expenses. Purchased services also represent a large portion of operating expenses, or 32.22%. Net assets decreased \$107,482, resulting from expenses in excess of revenues.

Horizon Science Academy of Springfield
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

Capital Assets

At the end of fiscal year 2008 the Academy had \$74,575, invested in furniture, fixtures and equipment, computers and other electronic equipment, and leasehold improvements (net of \$32,933 in accumulated depreciation). Table 3 shows fiscal year 2008 and fiscal year 2007:

Table 3

Capital Assets (Net of Depreciation)		
	2008	2007
Furniture, Fixtures and Equipment	\$65,920	\$75,212
Computers and Other Electronic Equipment	3,064	6,869
Leasehold Improvements	5,591	4,022
Totals	<u>\$74,575</u>	<u>\$86,103</u>

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

Debt

On July 1, 2005, December 23, 2005, January 27, 2006, and May 25, 2006, the Academy entered into note agreements with Concept Schools in the amounts of \$10,000, \$20,000, \$25,000, and \$30,000, respectively. The notes were issued with a maturity date of June 30, 2009, bearing an interest rate of zero percent. The Academy entered into a capital lease in August 2005 for a phone system. Table 4 shows fiscal year 2008 and fiscal year 2007:

Table 4

Outstanding Debt Balances		
	2008	2007
Concept Schools	\$63,500	\$85,000
Capital Lease	987	4,574
Total	<u>\$64,487</u>	<u>\$89,574</u>

For more information on the Academy's debt see Note 10 to the basic financial statements.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Amanmyrat Gurdov, Business Manager, Horizon Science Academy of Springfield, Inc., 630 S. Reynolds Road, Toledo, Ohio 43615-6314.

Horizon Science Academy of Springfield
Statement of Net Assets
June 30, 2008

ASSETS:

Current Assets:

Cash and cash equivalents	<u>\$6,174</u>
Total current assets	<u>6,174</u>

Noncurrent Assets:

Depreciable capital assets (Net of Accumulated Depreciation)	<u>74,575</u>
Total assets	<u>80,749</u>

LIABILITIES:

Current Liabilities:

Accounts payable	121,798
Accrued wages and benefits payable	61,680
Intergovernmental payable	144
Note payable - current portion	63,500
Capital lease - current portion	<u>987</u>
Total liabilities	<u>248,109</u>

NET ASSETS:

Invested in capital assets	73,588
Unrestricted (deficit)	<u>(240,948)</u>
Total net assets	<u><u>(\$167,360)</u></u>

See accompanying notes to the basic financial statements.

Horizon Science Academy of Springfield
Statement of Revenues, Expenses and Change in Net Assets
For the Fiscal Year Ended June 30, 2008

OPERATING REVENUES:

Foundation payments	\$1,020,853
Food services	4,721
Classroom fees	2,456
Extracurricular activities	2,393
Donated management fee	57,968
Other revenue	<u>7,102</u>
 Total operating revenues	 <u>1,095,493</u>

OPERATING EXPENSES:

Salaries	646,127
Fringe benefits	161,865
Purchased services	455,284
Materials and supplies	100,926
Depreciation	18,514
Miscellaneous	<u>29,842</u>
 Total operating expenses	 <u>1,412,558</u>

Operating loss (317,065)

NON-OPERATING REVENUES (EXPENSES):

Interest expense	(467)
Restricted grants in aid - federal	203,174
Restricted grants in aid - state	<u>6,876</u>
 Total non-operating revenues (expenses)	 <u>209,583</u>

Change in net assets (107,482)

Net assets, beginning of year (59,878)

Net assets, end of year (\$167,360)

See accompanying notes to the basic financial statements.

Horizon Science Academy of Springfield
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008

DECREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from State of Ohio	\$1,020,853
Cash received from other operating revenues	16,672
Cash payments to suppliers for goods and services	(392,344)
Cash payments to employees for services and benefits	(805,351)
Other cash payments	<u>(29,842)</u>
Net cash used for operating activities	<u>(190,012)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Federal grants received	208,458
State grants received	<u>6,876</u>
Net cash provided by noncapital financing activities	<u>215,334</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on note payable	(21,500)
Principal paid on capital lease payable	(3,587)
Interest paid on capital lease payable	(467)
Payment for capital acquisitions	<u>(6,986)</u>
Net cash used for capital and related financing activities	<u>(32,540)</u>

Net decrease in cash and cash equivalents (7,218)

Cash and cash equivalents at beginning of year 13,392

Cash and cash equivalents at end of year \$6,174

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Operating loss (\$317,065)

ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:

Depreciation	18,514
Changes in Assets and Liabilities:	
Increase in accounts payable	105,898
Increase in accrued wages and benefits payable	4,951
Decrease in intergovernmental payable	(666)
Decrease in payroll liabilities	<u>(1,644)</u>
Total adjustments	<u>127,053</u>

Net cash used for operating activities (\$190,012)

NONCASH TRANSACTIONS:

Donated management fee	\$57,968
Purchased services	57,968

See accompanying notes to the basic financial statements.

Horizon Science Academy of Springfield
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Horizon Science Academy of Springfield, Inc. (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades K through eight in Toledo. The Academy, which is part of the State's education program, is independent of any Academy 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 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 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 June 21, 2005.

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. The Board of Trustees controls the Academy's facility, which is currently staffed by 21 full and part time personnel who provide services to up to 150 students during the year.

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 School'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 net assets; and a statement of cash flows.

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

B. Measurement Focus and Basis of Accounting

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

Horizon Science Academy of Springfield

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The full accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the 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

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

D. Cash

To improve cash management, all cash received by the 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 maintains a capitalization threshold of one thousand dollars. 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 and equipment are depreciated using the straight-line method over the following estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

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

Horizon Science Academy of Springfield

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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. 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 these definitions are reported as non-operating.

H. Compensated Absences

Academy policy indicates that all leave earned by employees must be used in the current period and balances are not carried forward and, therefore, are not recorded as a liability.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or contracts. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Estimates

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

3. DEPOSITS

As of June 30, 2008, the Academy's bank balance of \$9,854 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Horizon Science Academy of Springfield

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

3. DEPOSITS (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Academy has no policy regarding custodial credit risk.

4. CAPITAL ASSETS

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

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures and Equipment	\$86,079	\$0	\$0	\$86,079
Computers and Other Electronics	15,814	2,200	(11,023)	6,991
Leasehold Improvements	9,652	4,786	0	14,438
Total Capital Assets				
Being Depreciated	111,545	6,986	(11,023)	107,508
Less Accumulated Depreciation				
Furniture, Fixtures and Equipment	(10,867)	(9,292)	0	(20,159)
Computers and Other Electronics	(8,945)	(6,005)	11,023	(3,927)
Leasehold Improvements	(5,630)	(3,217)	0	(8,847)
Total Accumulated Depreciation	(25,442)	(18,514)	11,023	(32,933)
Total Capital Assets				
Being Depreciated, Net	\$86,103	(\$11,528)	\$0	\$74,575

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (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 state statute per 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 contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org, under *Forms and Publications*.

5. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14% 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, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended 2008, it was determined the employer contribution rate to pension and death benefits to be 9.16%. The remaining 4.84% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$6,144, \$9,641, and \$8,084, respectively; 100% has been contributed for fiscal years 2008, 2007 and 2006.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

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 of 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.

Horizon Science Academy of Springfield

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

5. DEFINED BENEFIT PENSION PLANS (Continued)

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.

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 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.

Horizon Science Academy of Springfield

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

5. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal years ended June 30, 2008, 2007, and 2006, plan members were required to contribute 10 percent of their annual covered salaries. For these fiscal years, the Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$71,448, \$66,196 and \$69,892, respectively; 100% has been contributed for fiscal years 2008, 2007 and 2006.

STRS Ohio issues a stand-alone financial report. 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.

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 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.

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 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Academy, these amounts equaled \$5,103, \$5,113, and \$4,992 for fiscal years 2008, 2007, and 2006, respectively.

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.

Horizon Science Academy of Springfield

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

6. POSTEMPLOYMENT BENEFITS (Continued)

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 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2008, 2007, and 2006 the actuarially required allocations were 0.66 percent, 0.68 percent, and 0.78 percent. The Academy's contributions for the fiscal years ended June 30, 2008, 2007 and 2006 were \$356, \$468 and \$450, respectively, which equaled the required contributions for those years.

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' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

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, 2008, 2007, and 2006, the health care allocations were 4.18 percent, 3.32 percent, and 3.42 percent, respectively. The actuarially required contribution (ARC), as of the June 30, 2008 annual valuation, was 13.41 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For the Academy, the amounts contributed to fund health care benefits, including the surcharge, during the 2008, 2007, and 2006 fiscal years equaled \$2,254, \$2,286, and \$1,975, 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 2008, the minimum compensation level was established at \$35,800.

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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under *Forms and Publications*.

Horizon Science Academy of Springfield
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

7. 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 Cincinnati Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate and no deductible. There has been no reduction in coverage from the prior year. There have been no settlements exceeding coverage in any of the last three fiscal years.

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. 100% of this premium was paid for fiscal year 2008.

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 50% of the monthly premium and the employee is responsible for the remaining 50%. The Academy has also contracted with private carriers to provide dental coverage. The Academy pays 50% of the monthly premium and the employee is responsible for the remaining 50%.

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2008 were as follows:

Type	Amount
Professional Services	\$113,881
Rent and Property Services	200,915
Travel	2,137
Advertising and Communications	23,238
Utilities	43,940
Pupil Transportation	70,565
Other Purchased Services	608
Total	\$455,284

10. LONG-TERM LIABILITIES

Long-term liabilities activity during fiscal year 2008 was as follows:

	Balance at 6/30/07	Additions	Deletions	Balance at 6/30/08	Due Within One Year
Concept Schools	\$85,000	\$0	\$21,500	\$63,500	\$63,500
Capital Lease	4,574	0	3,587	987	987
Total	\$89,574	\$0	\$25,087	\$64,487	\$64,487

On July 1, 2005, December 23, 2005, January 27, 2006, and May 25, 2006, the Academy entered into note agreements with Concept Schools in the amounts of \$10,000, \$20,000, \$25,000, and \$30,000, respectively. The notes were issued with a maturity date of June 30, 2009, bearing an interest rate of zero percent.

Horizon Science Academy of Springfield
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

11. OPERATING LEASES

The Academy has entered into a lease for a building facility with Niagara Educational Services Inc. for a period of April 1, 2005 to June 30, 2010. On November 1, 2006, Breeze Inc., a sister company of Concept Schools, purchased the property and took over the existing lease agreement with the Academy. According to the current agreement, the monthly rent for the facilities is \$14,600. Of the \$175,200 owed for monthly rent to Breeze Inc., \$55,200 was still owed as of June 30, 2008 and is recorded in accounts payable.

The Academy entered into a lease for two copiers with US Banc Corporation. The copiers have a lease period of August 4, 2005 through November 4, 2010. Payments, including interest totaled \$4,231 for the fiscal year ended June 30, 2008.

The following is a schedule of the future payments required under the operating leases as of June 30, 2008.

Fiscal Year Ending June 30,	Facility Lease	Copier Lease
2009	\$230,400	\$5,244
2010	175,200	5,244
2011	0	1,748
Total minimum lease payments	\$405,600	\$12,236

12. CAPITALIZED LEASE – LESSEE DISCLOSURE

The Academy entered into a capital lease in August 2005 for a phone system. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The capital lease was recorded at the present value of the future minimum lease payments as of the inception date. Principal payments made during fiscal year 2008 total \$3,587

The following is a schedule of the future minimum lease payments required under the capital lease as of June 30, 2008.

Fiscal Year Ending June 30,	
2009	\$1,013
Minimum Lease Payments	1,013
Less: Amount representing interest at the School's incremental borrowing rate of interest	(26)
Present Value of Minimum Lease Payments	\$987

13. 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 effect on the financial position of the Academy. In fiscal year 2008, the Academy received grants from State and Federal agencies total of \$210,050.

13. CONTINGENCIES (Continued)

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 for fiscal year 2008 showed the School was overpaid by \$144, which is reported as an intergovernmental payable in the statement of net assets.

C. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging that Ohio's Community (i.e., Charter) School programs violate the State Constitution and state laws. On April 23, 2004, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the State public educational system and this matter was sent to the Ohio Supreme Court. On October 25, 2006, the Supreme Court of Ohio held that Chapter 3314 of the Ohio Revised Code, the state law authorizing establishment and operation of community or "charter" schools, is constitutional both on its face and as applied.

14. SPONSORSHIP AGREEMENT

On June 25, 2005, Lucas County Educational Service Center assumed responsibility for sponsorship of the Academy. 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, 2007, the original contract was 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 \$9,977.

15. MANAGEMENT COMPANY AGREEMENT

On January 1, 2005, the Academy contracted with Concepts Schools, Inc. 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 the State. In fiscal year 2008, the Academy paid \$99,468 to Concept Schools for management services. The rest of the fees, amounting to \$57,968, were forgiven by Concept Schools, and are reflected in the statement of revenues, expenses and change in net assets as donated management fee.

16. RELATED PARTIES

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

Horizon Science Academy of Springfield

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

17. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 2008, the Academy implemented GASB Statement No. 50, “Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27,” and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Horizon Science Academy of Springfield
Lucas County, Ohio
630 South Reynolds Road
Toledo, Ohio 4315-6314

We have audited the financial statements of the business-type activities of Horizon Science Academy of Springfield, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2008 and have issued our report thereon dated April 30, 2009 in which we noted that the Academy adopted Governmental Accounting Standards Board Statement No. 45, Statement No. 50 and Statement No. 48. 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 auditing procedures for the purpose of 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 entity'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 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, result in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

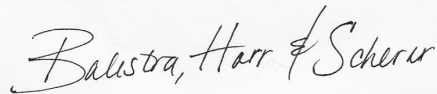
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

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 that are required to be reported under *Government Auditing Standards*.

We noted a certain non-compliance and other matter that we have reported to the Academy's management in a separate letter dated April 30, 2009.

This report is intended solely for the information and use of management and members of the Board, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
April 30, 2009



Mary Taylor, CPA
Auditor of State

HORIZON SCIENCE ACADEMY OF SPRINGFIELD

LUCAS 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
JUNE 30, 2009**