



Dave Yost • Auditor of State



HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Hamilton County Mathematics and Science Academy  
Hamilton County  
2675 Civic Drive  
Cincinnati, Ohio 45231

To the Board of Directors:

We have audited the accompanying basic financial statements of Hamilton County Mathematics and Science Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2010, 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 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 Hamilton County Mathematics and Science Academy, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 25, 2011

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

The discussion and analysis of the Hamilton County Mathematics and Science Academy's, Hamilton County, Ohio (the Academy), financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- In total, net assets decreased \$254,254 (from Table 1). The decrease was due to the purchase of the building, and incurring the mortgage and other capital leases and expenses.
- Total assets increased \$1,564,349 (from Table 1), which represents a 233.6 percent increase from 2009. The increase in assets is primarily due to the purchase of the facility/building) and land for approximately \$1,635,000 during FY2010 and the constructions and purchase of the new science and computer lab and equipment with ARRA funds.
- Liabilities increased \$1,818,603 (from Table 1), which represents a 1,333 percent increase from 2009. Increase in liabilities is a direct result of the acquisition/financing of the facility building and land during FY2010.

**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 Changes in Net Assets, and a Statement of Cash Flows.

**Statement of Net Assets**

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer the question, "How did we do financially during 2010" These statements include all assets, liabilities, revenues and expenses, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2010 and fiscal year 2009:

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

(Table 1)

**Net Assets**

	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current Assets	\$ 112,842	\$ 285,504
Capital Assets, Net	2,117,880	181,596
Deposits	3,257	202,530
Total Assets	<u>2,233,979</u>	<u>669,630</u>
<b>Liabilities</b>		
Current Liabilities	475,463	98,210
Non-Current Liabilities	1,479,606	38,256
Total Liabilities	<u>1,955,069</u>	<u>136,466</u>
<b>Net Assets</b>		
Invested in Capital Assets	528,446	143,340
Unrestricted	(249,535)	389,824
Total Net Assets	<u>\$ 278,911</u>	<u>\$ 533,164</u>

Total assets increased by \$1,564,349. This increase was primarily due to the purchase of the building and land. Also, liabilities increased by \$1,818,603 due to the financing of the building and land and increased accruals.

Table 2 shows the changes in net assets for fiscal year 2010 and fiscal year 2009, as well as a listing of revenues and expenses.



**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Foundation payments	\$ 2,593,033	\$ 2,603,176
State special education program	109,796	101,206
Miscellaneous	52,630	166,989
Total Operating Revenues	<u>2,755,459</u>	<u>2,871,371</u>
<b>Operating Expenses</b>		
Salaries	1,942,034	1,496,578
Fringe Benefits	410,937	376,277
Purchased Services	723,418	843,754
Supplies and materials	291,191	80,305
Depreciation	85,713	50,232
Other	10,779	1,202
Total Operating Expenses	<u>3,464,072</u>	<u>2,848,348</u>
Operating Income	(708,613)	23,023
<b>Non-Operating Revenue and Expense</b>		
Federal & State Grants	479,446	224,178
Gain/(Loss) on Disposal of Assets	-	(274,505)
Interest Expense	<u>(25,086)</u>	<u>(62,437)</u>
Total Non-Operating Revenues	<u>454,360</u>	<u>(112,764)</u>
Change in Net Assets	(254,253)	(89,741)
Net Assets Beginning of Year	<u>533,164</u>	<u>622,905</u>
Net Assets End of Year	<u>\$ 278,911</u>	<u>\$ 533,164</u>

Operating revenues decreased \$115,912. The decrease was the result of the loss of miscellaneous revenues from leasing fees for a preschool program compared to the prior year.

Total operating expenses of the Academy reported for fiscal year 2010 increased by \$615,724 compared to those reported for the previous fiscal year. The increases in expenses were due in part to increase in salaries and fringes benefits and depreciation expenses.

Non-Operating Revenues from federal and state grants increased by \$255,268 from prior year.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**Capital Assets**

At the end of fiscal year 2010 the Academy had \$2,117,880 invested in Buildings, Land and Furniture and Equipment, which represented an increase of \$1,936,284 from 2009. Table 3 shows fiscal year 2010 and fiscal year 2009:

(Table 3)

**Capital Assets at June 30, 2010  
(Net of Depreciation)**

	2010	2009
Land	\$ 180,000	\$0
Building	1,602,839	0
Building Improvements	163,430	16,208
Equipment	171,611	165,388
Total	\$2,117,880	\$181,596

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

**Debt – Notes Payable**

At June 30, 2010, the Academy had \$937,678 in debt outstanding, of which \$120,425 is due within one year. Table 4 summarizes outstanding notes.

(Table 4)

	2010	2009
Debt Note due with one year	\$ 109,829	\$ 15,162
Debt Note due in more than one year	1,479,606	23,094
Total	\$ 1,589,435	\$ 38,256

In August 2007 the Academy entered into a lease agreement for a building located at 2675 Civic Drive, Cincinnati, Ohio. The lease required payments of \$7,266 per month through February 2009 with an option to purchase the facility for \$1,800,000 anytime during the term of the lease. The term was extended to April 2010. The Academy paid a \$200,000 nonrefundable deposit towards the purchase of the building (\$100,000 in FY 2008 and \$100,000 in FY 09). The Academy purchased the building in March 2010 for \$1,800,000 through PNC Bank with a \$1,440,000 mortgage, 60 month note at 6% containing a balloon payment in March 2015.

For more information on debt see Note 10 to the Basic Financial Statements.

**Contacting the Academy's Financial Management**

This financial report is designed to provide a general overview of the Hamilton County Mathematics and Science Academy finances and to show the Academy's accountability for the money it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or request for additional financial information should be directed to Hamilton County Mathematics and Science Academy, 2675 Civic Center Drive, Cincinnati, Ohio 45231.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

	<b>2010</b>
<b>Assets</b>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 64,396
Intergovernmental Receivable	48,445
Total Current Assets	112,841
<u>Non-Current Assets</u>	
Land	180,000
Depreciable Capital Assets (Net of Accumulated Depreciation)	1,937,880
Deposits/Prepaid Expenses	3,257
Total Non-Current Assets	2,121,138
Total Assets	\$ 2,233,979
 <b>Liabilities</b>	
<u>Current Liabilities</u>	
Account Payable	\$ 81,392
Accrued Benefits	223,245
Intergovernmental Payable	60,997
<b>Current Portion of LT Debt (Due in One Year)</b>	109,829
Total Current Liabilities	475,463
<u>Non-Current Liabilities</u>	
<b>L-T Debt Due in More Than One Year</b>	1,479,605
Total Non-Current Liabilities	1,479,605
Total Liabilities	1,955,068
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	528,447
Unrestricted (Deficit)	(249,536)
Total Net Assets	\$ 278,911

The notes to the financial statements are an integral part of this statement.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

	<b>2010</b>
<b>Operating Revenues</b>	
Foundation payments	\$ 2,593,033
State special education program	109,796
Miscellaneous	52,630
Total Operating Revenues	2,755,459
<b>Operating Expenses</b>	
Salaries	1,942,034
Fringe Benefits	410,937
Purchased Services	723,418
Supplies and materials	291,191
Depreciation	85,713
Other	10,779
Total Operating Expenses	3,464,072
Operating Income	(708,613)
<b>Non-Operating Revenue and Expense</b>	
Federal & State Grants	479,446
Gain/(Loss) on Disposal of Assets	-
Interest Expense	(25,086)
Total Non-Operating Revenues	454,360
Change in Net Assets	(254,253)
Net Assets Beginning of Year	533,164
Net Assets End of Year	\$ 278,911

The notes to the financial statements are an integral part of this statement.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

	<b>2010</b>
<b>Increase (Decreases) in Cash and Cash Equivalents:</b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from State	\$ 2,702,829
Cash Received from Charges for Services & Other Receipts	52,630
Cash Payments to Employees for Services	(1,760,934)
Cash Payments for Employee Benefits	(376,940)
Cash Payment to Suppliers for Goods and Services	(973,061)
	(355,476)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Deposits	
Grants Received	431,001
Net Cash from Noncapital Financing Activities	431,001
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Payments for Capital Acquisitions	(1,962,156)
Capital Lease Payments Including Interest Mortgage	80,331
	1,589,341
Net Cash from Capital and Related Financing Activities	(292,484)
Net decrease in cash and cash equivalents:	(216,959)
Cash and cash equivalents at beginning of year	281,355
Cash and cash equivalents at end of year	\$ 64,396
<b><u>Reconciliation of Operating loss to Net Cash Used for Operating Activities:</u></b>	
Operating Income/(Loss)	\$ (708,613)
<b><u>Adjustments to Reconcile Operating Income (loss) to Net Cash Provided by Operating Activities:</u></b>	
Depreciation	85,713
Changes in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	52,327
Increase in Payroll Liabilities	181,100
Increase in Intergovernmental Payable	33,997
Total Adjustments	353,137
Net cash used by operating activities	\$ (355,476)

See accompanying notes to the basis financial statements.

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**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Hamilton County Mathematics and Science Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through grade eight. The Academy, which is part of the State's education program, is independent of any school district. 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 was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2001. However, the Ohio State Board of Education subsequently decided to suspend its sponsorship of community schools and the Academy obtained Lucas County Educational Service Center as its sponsor for the school year beginning July 1, 2005. They were replaced by Educational Resource Consultants of Ohio Inc. as its sponsor in January 2006.

The Academy operates under the direction of a five-member Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor, 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 one instructional/support facility staffed by 26 full-time teaching personnel who provided services to 413 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 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 Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

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.

Non-exchange transaction, in which the Academy receives value without directly giving equal value in return, includes grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor, the Educational Resource Consultants of Ohio Inc., does not prescribe a formal budgetary process for the Academy; therefore no budgetary information is presented in the financial statements.

**E. Cash and Cash Equivalents**

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash. Total cash is presented as "cash and cash equivalents" on the accompanying statement of net assets.

**F. 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. Improvements are capitalized; 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.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and Equipment	5 years
Building	40 years
Building Improvements	15 years



**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

**H. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operation expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**I. Contributions of Capital**

Contributions of capital arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The Academy received no capital contributions during fiscal year 2010.

**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**

At fiscal year end, the carrying amount of the Academy's deposits was \$64,396 and the bank balance was \$91,891. Of the bank balance, all was covered by federal depository insurance and \$0 was uncollateralized.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**4. CAPITAL ASSETS**

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

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10
<b>Business-Type Activity</b>				
Capital Assets Not Being Depreciated				
Land	\$ -	\$ 180,000		\$ 180,000
Capital Assets Being Depreciated				
Building	-	1,643,937		1,643,937
Building Improvements	17,366	158,978		176,344
Equipment	254,277	159,241	(120,159)	293,359
Total Capital Assets Being Depreciated	271,643	1,962,156	(120,159)	2,113,640
Less Accumulated Depreciation:				
Building	-	41,098		41,098
Building Improvements	1,158	11,756		12,914
Equipment	88,889	56,891	(24,032)	121,748
Total Accumulated Depreciation	90,047	109,745	(24,032)	175,760
Total Capital Assets Being Depreciated, Net	181,596	1,852,411	(96,127)	1,937,880
Business-Type Activity Capital Assets, Net	\$ 181,596	\$2,032,411	(\$96,127)	\$2,117,880

In August 2007 the Academy entered into a lease agreement for a building located at 2675 Civic Drive, Cincinnati, Ohio. The lease required payments of \$7,266 per month through February 2009 with an option to purchase the facility for \$1,800,000 anytime during the term of the lease. The term was extended to April 2010. The Academy paid a \$200,000 nonrefundable deposit towards the purchase of the building (\$100,000 in FY 2008 and \$100,000 in FY 09). The Academy purchased the building in March 2010 for \$1,800,000 through PNC Bank with a \$1,440,000 mortgage, 60 month note at 6% containing a balloon payment in March 2015.

**5. RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2010, the Academy contracted with a commercial carrier for general liability, rental/theft, and directors and officers' liability insurance.

There has been no significant change in insurance coverage from last year. Settled claims have not exceeded commercial coverage in either of the past two 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.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**6. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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, by calling (614) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

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 Academy 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations based on the most recent information available, which was prior year rates. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$65,027, \$63,076 and \$80,655, respectively; 100% has been contributed for all years.

**B. State Teachers Retirement System of Ohio**

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time, irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**6. DEFINED BENEFIT PENSION PLANS (Continued)**

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

For the fiscal year ended June 30, 2010, 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. 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 year ended June 30, 2010, 2009 and 2008 were \$177,925, \$137,868 and \$173,000 respectively; 100 percent has been contributed for all years.

**7. POSTEMPLOYMENT BENEFITS**

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**A. State Teachers Retirement System of Ohio**

STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2010, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. The Academy's contribution for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$12,709; \$9788 and \$12,283 respectively.

**B. School Employees Retirement Pension**

SERS offers two cost-sharing multiple employer defined benefit OPEB plans for non-certified 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.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**7. POSTEMPLOYMENT BENEFITS (Continued)**

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 401(h). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than actuarially determined amount; for 2009 this amount was \$35,800. Based on the most recent information available, which were prior year rates.

**8. EMPLOYEE BENEFITS**

**i. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Trustees. Administrators and classified staff earn up to ten days of vacation per year, depending upon the position, schedule hours, and length of service.

Each full-time employee receives three personal days per calendar year. Personal days not used at the end of the calendar year are lost.

Each full-time employee can earn sick leave up to a maximum of 15 days.

**ii. Insurance Benefits**

The Academy provides health and life insurance to all employees through a private carrier.

**9. CAPITAL LEASE – LESSEE DISCLOSURE**

During the fiscal year 2004 the Academy entered into a 60 month lease agreement with Advantage Office Systems, financed through Wells Fargo for the acquisition of a copier machine. The terms of the Agreement provide options to purchase the equipment. Payments are \$270 per month with interest at 6%. The lease expired in 2009. Payments continued in FY 2010 as a maintenance agreement.

During the fiscal year 2008, the Academy refinanced an existing lease agreement with First Federal Leasing and included additional purchases of playground equipment into a 60 month lease agreement with First Federal Leasing. The terms of the Agreement provide options to purchase the equipment. Payments are \$1,420 per month with interest at 6%.

During the fiscal year 2010 the Academy entered into two 36 month lease agreement with Apple Financial Services, for the acquisition of computer equipment. The terms of the Agreement provide options to purchase the equipment. Payments are \$1,928 and \$1,405 per month with interest at 16.73%. The leases expire in 2013.

During the fiscal year 2010 the Academy entered into a 36 month and a 18 month lease agreements with Phillips Supply Company, for the acquisition of scrubbers. The terms of the Agreement provide options to purchase the equipment. Payments are \$214 and \$400 per month respectively. The leases expire in 2013 and 2012 respectively.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**9. CAPITAL LEASE – LESSEE DISCLOSURE (Continued)**

During the fiscal year 2010 the Academy entered into a 60 month lease agreement with Sonitrol of SW Ohio, for the acquisition of a security system. The terms of the Agreement provide options to purchase the equipment. Payments are \$300 per month with interest at 16.12%. The leases expire in 2015.

During the fiscal year 2010 the Academy entered into a 24 month lease agreement with Satellite Shelters, Inc, for the acquisition of two modular doublewide classrooms. The terms of the Agreement provide options to purchase the equipment. Payments are \$1,750 per month with interest at 15.76%. The leases expire in 2012.

These 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 following is a schedule of the future minimum lease payments.

<u>Year Ending</u>	<u>Amount</u>
June 30, 2011	87,996
June 30, 2012	61,753
June 30, 2013	32,394
June 30, 2014	3,597
June 30, 2015	<u>3,298</u>
Total minimum lease payments	189,038
Less: Amounts representing imputed interest cost	<u>(33,356)</u>
Present value of minimum lease payments	<u><u>\$155,682</u></u>

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**10. NON-CURRENT LIABILITIES**

The activity of the Academy's debt is summarized as follows:

Obligations	Principal		Principal		Amounts	Amounts
	Outstanding	Additions	Principal	Outstanding	Due	Due in
	6/30/09		Payments	6/30/10	in One Year	More Than
						One
						Year
Mortgage Loan - US Bank	-	1,440,000	6,248	1,433,752	41,217	1,392,535
Capital Lease - Apple (1)	-	39,547	3,485	36,062	11,692	24,370
Capital Lease - Apple (2)		54,278	4,783	49,495	16,047	33,448
Capital Lease - Security	-	12,296	135	12,161	1,764	10,397
Capital Lease - Scrubber (1)		5,254	196	5,058	1,374	3,684
Capital Lease - Scrubber (2)		6,353	2,290	4,063	4,063	-
Capital Lease - Modulares		34,800	9,050	25,750	17,575	8,175
Capital Lease - Playground	38,256	-	15,162	23,094	16,097	6,997
	<u>38,256</u>	<u>1,592,528</u>	<u>41,349</u>	<u>1,589,435</u>	<u>109,829</u>	<u>1,479,606</u>
<b>Total</b>	<u>38,256</u>	<u>1,592,528</u>	<u>41,349</u>	<u>1,589,435</u>	<u>109,829</u>	<u>1,479,606</u>

**11. 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 is 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, 2010.

**B. State Funding**

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The Academy does not anticipate any material adjustments to state funding for fiscal year 2010 as a result of such review.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

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

**12. PURCHASED SERVICES**

For the year ended June 30, 2010, the purchased service expenses were comprised of the following:

Professional & Technical	\$ 83,799
Staff Development	49,293
Management Services	97,011
Food Service	144,291
Legal Services	25,319
Communications	24,755
Postage & Printing	4,104
Pupil Transportation	15,496
Tax, Accounting and Auditing Services	27,693
Repair & Maintenance	52,898
Property Insurance	13,790
School Site Lease	49,638
Gas & Electricity	81,025
Water & Sewer	30,139
Miscellaneous	14,072
Advertising	10,098
Total Purchased Services	<u><u>\$ 723,418</u></u>

**13. RELATED PARTY TRANSACTIONS**

The Academy's governing board hires the Superintendent (Dwan Moore), and the Director (Tim Moore), who are married.

The Academy employed the Superintendent's following family members:

Sons:

Timothy Moore II - as Assistant Business Manager, was paid \$37,907 during the fiscal year.

Marcus Moore – as a Computer Technical Assistant was paid \$19,224 during the fiscal year.

Father:

George Gray – as a Building Custodian, was paid \$26,268, during the fiscal year.

Brother-In-Law:

Thomas Moore – as a Sports Coordinator, was paid \$23,146, during the fiscal year.



**HAMILTON COUNTY MATH AND SCIENCE ACADEMY  
HAMILTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grants/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through Ohio Department of Education:			
Nutrition Cluster:			
National School Breakfast Program	10.553	\$ 18,410	\$ 18,410
National School Lunch Program	10.555	103,610	103,610
ARRA - NSL Cafeteria Equipment Assistance	10.579	5,435	5,435
Total Nutrition Cluster		<u>127,455</u>	<u>127,455</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through Ohio Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	248,653	178,653
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	46,995	47,281
Total Title I Cluster		<u>295,648</u>	<u>225,934</u>
Special Education Cluster:			
Special Education Grants to States	84.027	66,451	86,253
Special Education - Preschool Grants	84.173	393	393
ARRA - Special Education Grants to States, Recovery Act	84.391	43,345	47,539
Total Special Education Cluster		<u>110,189</u>	<u>134,185</u>
Safe & Drug Free Schools & Communities	84.186	1,422	2,211
Technology	84.318	774	1,600
Improving Teacher Quality	84.367	5,268	10,664
ARRA - State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394	165,191	165,191
Total U.S. Department of Education		<u>578,492</u>	<u>539,785</u>
<b>Total Federal Awards</b>		<u><u>\$ 705,947</u></u>	<u><u>\$ 667,240</u></u>

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Academy's federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Center assumes it expends federal monies first.



# Dave Yost • Auditor of State

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

Hamilton County Mathematics and Science Academy  
Hamilton County  
2675 Civic Drive  
Cincinnati, Ohio 45231

To the Board of Directors:

We have audited the financial statements the business-type activities, of Hamilton County Mathematics and Science Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2010, and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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 did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 25, 2011.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, and federal awarding agencies and pass-through entities and others within the Academy. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

March 25, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Hamilton County Mathematics and Science Academy  
Hamilton County  
2675 Civic Drive  
Cincinnati, Ohio 45231

To the Board of Directors:

### Compliance

We have audited the compliance of Hamilton County Mathematics and Science Academy, Hamilton County, Ohio (the Academy), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Hamilton County Mathematics and Science Academy's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, Hamilton County Mathematics and Science Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 25, 2011

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, Part A Cluster – CFDA 84.010; 84.389 Special Education (IDEA) Cluster – CFDA 84.027; 84.173; 84.391
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2010-001**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data. The capital asset amount recorded on the Academy's financial statements was not accurate because the Academy capitalized textbooks and teaching aids as equipment. These items should have been expensed. This resulted in the following errors:

- Capital Assets at June 30, 2010 were overstated by \$161,287.
- Materials and supplies expense for the fiscal year ended June 30, 2010 were understated by \$41,128.
- The beginning net assets for the 2010 fiscal year were overstated by \$72,095

The lack of a capital asset system and established capital asset policies and procedures will decrease the Academy's ability to accurately record, monitor and safeguard its capital assets. Establishing a capital asset system and policies and procedures will improve control over Academy property by decreasing the risk of loss and misappropriation. Perpetual maintenance of such information will also assist the Academy in maintaining adequate insurance as well as provide support evidence in case of theft or fire losses.

We recommend the Academy maintain accurate capital asset accounting records and adopt capital asset policies and procedures.

Audit adjustments have been posted to the Academy's financial records and are reflected in the accompanying financial statements to properly reflect the capital assets of the Academy to correct the above errors.

**Officials' Response:**

The compiled GAAP financial statements had incorrectly included the purchase of textbooks as capital assets, due to the total purchases being in excess of the Academy's capital assets policies threshold. The Academy's agree with the proposed reclassification/audit adjustments for capital assets.

To prevent the reoccurrence of similar adjustments in the future, the Treasurer will review in greater detail the accounting information provided in the compiled GAAP statements submitted for audit purposes.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2009-001	Financial statements not properly stated.	No	Repeated as finding 001

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# Dave Yost • Auditor of State

**HAMILTON COUNTY MATH AND SCIENCE ACADEMY**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 31, 2011**