



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2010**



**Dave Yost • Auditor of State**



**Horizon Science Academy Denison Elementary School**

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*For the Fiscal Year Ended June 30, 2010*

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of Horizon Science Academy Denison Elementary School, Cuyahoga County, Ohio (the School), 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 School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizon Science Academy Denison Elementary School, Cuyahoga County, Ohio, as of June 30, 2010, and the changes in financial position and 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 May 27, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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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 School's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures 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 schedule of federal awards receipts and expenditures 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

May 27, 2011

## **Horizon Science Academy Denison Elementary School**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

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The discussion and analysis of Horizon Science Academy Denison Elementary School's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010. Readers should also review the financial statements and notes to enhance their understanding of the School's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- Total assets were \$420,461.
- Total liabilities were \$104,715.
- Total net assets increased \$212,270.

### **Using this Financial Report**

This report consists of three parts: Management's Discussion and Analysis, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and change in net assets, and a statement of cash flows.

### **Reporting the School as a Whole**

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

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

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

**Horizon Science Academy Denison Elementary School**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

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Table 1 provides a comparison of net assets as of June 30, 2010 with net assets as of June 30, 2009.

Table 1

	Net Assets	
	June 30, 2010	June 30, 2009
<u>Assets</u>		
Current Assets	\$153,932	\$89,849
Capital Assets, Net	<u>266,529</u>	<u>96,336</u>
Total Assets	420,461	186,185
<u>Liabilities</u>		
Current Liabilities	104,715	73,509
Non-Current Liabilities	<u>0</u>	<u>9,200</u>
Total Liabilities	104,715	82,709
<u>Net Assets</u>		
Invested in Capital Assets	266,529	96,336
Unrestricted	<u>49,217</u>	<u>7,140</u>
Total Net Assets	<u>\$315,746</u>	<u>\$103,476</u>

Total assets increased \$234,276. Capital assets increased by \$170,193, net of accumulated depreciation. Intergovernmental receivables increased by \$106,984 due to project cash requests for Federal funds made at the end of the fiscal year. Total liabilities increased by \$22,006. This change is due mainly to an increase of \$38,693 in accrued wages and payroll liabilities.

**Horizon Science Academy Denison Elementary School**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)*

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Table 2 shows the changes in net assets for the fiscal years 2010 and 2009.

Table 2

Revenues, Expenses, and Changes in Net Assets	2010	2009
<u>Operating Revenue/Expense</u>		
Revenue		
Foundation Payments	\$901,698	\$876,243
Food Services	53	1,572
Classroom Fees	6,404	6,762
Extracurricular Activities	859	150
Other Local Revenue	4,608	2,488
Total Operating Revenues	913,622	887,215
Expense		
Salaries	634,479	462,028
Fringe Benefits	153,757	103,081
Purchased Services	559,240	390,437
Materials and Supplies	230,902	110,030
Depreciation Expense	30,215	5,748
Miscellaneous Expense	50,100	33,620
Total Operating Expenses	1,658,693	1,104,944
Net Operating Loss	(745,071)	(217,729)
<u>Non-Operating Revenue/Expense</u>		
Restricted Grants-in-Aid - Federal	692,000	316,801
Restricted Grants-in-Aid - State	6,553	5,000
Other Grant - Local	250,000	0
Prior Year Foundation Settlement	14,466	0
Interest Expense	(2,297)	(596)
Loss on Early Termination of Lease	(3,381)	0
Total Non-Operating Revenue/Expense	957,341	321,205
<u>Net Assets</u>		
Change in Net Assets	212,270	103,476
Net Assets at Beginning of Year	103,476	0
Net Assets at End of Year	\$315,746	\$103,476

Foundation support revenue increased \$25,455, primarily as a result of an increase in students. Federal grant revenue decreased \$375,199 due mainly to an increase in Charter School Startup funding. Total operating expenses increased \$553,749 primarily as a result of increased in salaries and benefits and purchased service expenses.

Foundation support is the primary support of the School, comprising 99 percent of operating revenue and 48 percent of total revenues. The School also received a significant portion of federal, state and other local grants, which together represent 51 percent total revenue. Salaries and benefits comprise the largest portion of operating expenses, representing 48 percent of total operating expenses. Purchased services also represent a large portion of operating expenses, or 34 percent. Net assets increased \$212,270 resulting from revenues in excess of expenses.

**Horizon Science Academy Denison Elementary School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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**Capital Assets**

At the end of fiscal year 2010 the School had \$302,492, invested in furniture and equipment (\$266,529 net of accumulated depreciation). Table 3 shows fiscal year 2010:

Table 3

Capital Assets				
	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010
Furniture and Equipment	\$102,084	\$200,408	\$0	\$302,492
Total Capital Assets	102,084	200,408	0	302,492
Less: Accumulated Depreciation	(5,748)	(30,215)	0	(35,963)
Net Capital Assets	\$96,336	\$170,193	\$0	\$266,529

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

**Contacting the School's Financial Management**

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

**Horizon Science Academy Denison Elementary School**

*Statement of Net Assets*

*June 30, 2010*

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**ASSETS:**

**Current Assets:**

Cash and Cash Equivalents	\$41,804
Intergovernmental Receivable	112,128
	<hr/>
Total Current Assets	153,932

**Noncurrent Assets:**

Capital Assets (Net of Accumulated Depreciation)	266,529
	<hr/>
Total Assets	420,461

**LIABILITIES:**

**Current Liabilities:**

Accounts Payable	28,549
Accrued Wages and Benefits Payable	62,409
Payroll Liabilities	13,757
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Total Current Liabilities	104,715

Total Liabilities	104,715
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**NET ASSETS:**

Invested in Capital Assets	266,529
Unrestricted (Deficit)	49,217
	<hr/>
Total Net Assets	\$315,746

See accompanying notes to the basic financial statements

**Horizon Science Academy Denison Elementary School**  
*Statement of Revenues, Expenses and Change in Net Assets*  
*For the Fiscal Year Ended June 30, 2010*

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<b>OPERATING REVENUES:</b>	
Foundation Payments	\$901,698
Food Services	53
Classroom Fees	6,404
Extracurricular Activities	859
Other Revenue	4,608
	4,608
Total Operating Revenues	913,622
<b>OPERATING EXPENSES:</b>	
Salaries	634,479
Fringe Benefits	153,757
Purchased Services	559,240
Materials and Supplies	230,902
Depreciation	30,215
Miscellaneous	50,100
	50,100
Total Operating Expenses	1,658,693
Operating Income/(Loss)	(745,071)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Expense	(2,297)
Loss on Early Termination of Lease	(3,381)
Restricted Grants in Aid - Federal	692,000
Restricted Grants in Aid - State	6,553
Other Grant - Local	250,000
Prior Year Foundation Settlement	14,466
	14,466
Total Non-Operating Cash Receipts	957,341
Change in Net Assets	212,270
Net Assets, Beginning of Year	103,476
<b>Net Assets, End of Year</b>	<b>\$315,746</b>

See accompanying notes to the basic financial statements

**Horizon Science Academy Denison Elementary School**

*Statement of Cash Flows*

*For the Fiscal Year Ended June 30, 2010*

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from State of Ohio	\$916,164
Cash Received from Other Operating Revenues	11,924
Cash Payments to Suppliers for Goods and Services	(795,399)
Cash Payments to Employees for Services and Benefits	(749,543)
Other Cash Payments	(50,100)

Net Cash Used for Operating Activities (666,954)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Federal Grants Received	585,016
State Grants Received	6,553
Other Grant - Local	250,000

Net Cash Provided by Noncapital Financing Activities 841,569

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Principal Paid on Capital Lease	(11,430)
Interest Paid on Capital Lease	(2,297)
Loss on Early Termination of Lease	(3,381)
Payment for Capital Acquisitions	(200,408)

Net Cash Used for Capital and Related Financing Activities (217,516)

Net Increase in Cash and Cash Equivalents (42,901)

Cash and Cash Equivalents at Beginning of Year 84,705

Cash and Cash Equivalents at End of Year \$41,804

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED FOR OPERATING ACTIVITIES**

Operating Loss	(\$745,071)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Depreciation	30,215
Prior Year Foundation Settlement	14,466

**Change in Assets and Liabilities:**

Decrease in Accounts Payable	(5,257)
Increase in Accrued Wages and Benefits Payable	23,256
Increase in Payroll Liabilities	15,437

Total Adjustments 78,117

Net Cash Used for Operating Activities (\$666,954)

See accompanying notes to the basic financial statements

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**Horizon Science Academy Denison Elementary School**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

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

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

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

The School operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees controls the School's facility, which is currently staffed by 22 full and part time personnel who provide services to up to 130 students during the year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School does not apply FASB statements issued after November 30, 1989. The more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

The School's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and change in net assets; and a statement of cash flows.

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

**B. Measurement Focus and Basis of Accounting**

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

**Horizon Science Academy Denison Elementary School**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

**B. Measurement Focus and Basis of Accounting (Continued)**

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

**C. Budgetary Process**

The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a five 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 five year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

**D. Cash**

To improve cash management, all cash received by the School is pooled in a central bank account. The School did not have any investments during fiscal year 2010.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold 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 School does not capitalize interest.

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

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

**Horizon Science Academy Denison Elementary School**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

**F. Intergovernmental Revenues**

The School 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

**G. Operating Revenues and Expenses**

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

**H. Compensated Absences**

School policy indicates that all full-time employees are entitled up to eight days of sick or personal leave per year. Full-time employees who do not use all of their sick or personal days within the year will receive \$125 for each unused day. All leave earned by employees must be used in the current period and balances are not carried forward and therefore, are not recorded as a liability.

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At fiscal year end June 30, 2010, the School had no restricted net assets.

**J. Estimates**

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

**Horizon Science Academy Denison Elementary School**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**3. DEPOSITS**

As of June 30, 2010, the School's bank balance of \$96,739 was covered by FDIC.

Custodial credit risk is the risk that in the event of a bank failure, the School'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 percent of the total value of public monies on deposit at the institution. The School has no policy regarding custodial credit risk.

**4. CAPITAL ASSETS**

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

	<b>Capital Assets</b>			
	<b>Beginning Balance July 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2010</b>
Furniture and Equipment	\$102,084	\$200,408	\$0	\$302,492
Total Capital Assets	102,084	200,408	0	302,492
Less: Accumulated Depreciation	(5,748)	(30,215)	0	(35,963)
Net Capital Assets	<u>\$96,336</u>	<u>\$170,193</u>	<u>\$0</u>	<u>\$266,529</u>

**5. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School 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. The report can be obtained by contacting SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free 1-800-878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Horizon Science Academy Denison Elementary School**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

**A. School Employees Retirement System (Continued)**

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School 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, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions to SERS for the fiscal years ended June 30, 2010 and 2009 were \$16,963 and \$7,748, respectively; 100% has been contributed for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

Plan Description – The School participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll free (888) 227-7877, or by visiting the STRS Ohio website 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Horizon Science Academy Denison Elementary School**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

**B. State Teachers Retirement System (Continued)**

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Sponsor was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations with the remainder being used to fund health care benefits. 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 School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010 and 2009 were \$58,223 and \$49,488, respectively; 100 percent has been contributed for fiscal years 2010 and 2009.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**6. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. The Medicare 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 SERS based on authority granted by State statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report. That report may be obtained by writing to 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, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation of statutorily required benefits, the SERS 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 under, and is administered in accordance with, Internal Revenue Code Section 105(e). For fiscal year 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2010, this amount was \$35,800.

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

**Horizon Science Academy Denison Elementary School**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**6. POSTEMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement System (Continued)**

The School's contributions for health care for the fiscal years ended June 30, 2010 and 2009 were \$7,763 and \$1,175, respectively; 100 percent has been contributed for fiscal years 2010 and 2009.

The SERS 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 year 2010, the actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2010 and 2009 were \$1,418 and \$415 respectively, which equaled the required contribution for those fiscal years.

**B. School Teachers Retirement System**

Plan Description – The School contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by STRS Ohio for eligible, certificated retirees and their beneficiaries who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State statute. The Plan is included in the financial report of STRS Ohio. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2010 and 2009 were \$4,479 and \$4,033, respectively; and 100 percent has been contributed for fiscal years 2010 and 2009.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School contracted with Great American Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate and no deductible. There has been no reduction in coverage from the prior year. There have been no settlements exceeding coverage in any of the last three fiscal years.

**B. Workers Compensation**

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

**Horizon Science Academy Denison Elementary School**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**8. EMPLOYEE MEDICAL AND DENTAL BENEFITS**

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

**9. PURCHASED SERVICES**

Purchased service expenses during fiscal year 2010 were as follows:

<u>Type</u>	<u>Amount</u>
Professional Services	\$316,039
Rent and Property Services	189,684
Administrative Travel	1,955
Advertising and Communications	48,277
Pupil Transportation	3,285
Total	<u>\$559,240</u>

**10. OPERATING LEASES**

The School entered into a one year lease agreement for an operating lease in fiscal year 2010 for school facilities on 2261 Columbus Road, Cleveland, Ohio 44113 with St. Wendelin Parish, for the period of August 1, 2009 through July 31, 2010. The School renewed the contract for fiscal year 2011. According to the current agreement, the monthly rent for the facilities is \$9,602. Payments totaled \$105,622 for fiscal year 2010.

**11. CAPITALIZED LEASE**

The School entered into a capital lease in November 2008 for a color copier. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The capital lease was recorded at the present value of the future minimum lease payments as of the inception date. At the conclusion of fiscal year 2010, the School purchased the copier at a cost of \$14,000, which, netted with the current and remaining minimum lease payments, resulted in a loss on the early lease termination of \$3,381.

**Horizon Science Academy Denison Elementary School**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**12. CONTINGENCIES**

**A. Grants**

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School. In fiscal year 2010, the School received grants from State and Federal agencies totaling \$698,553.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

**13. SPONSORSHIP AGREEMENT**

On March 24, 2008, the Buckeye Community Hope Foundation assumed responsibility for sponsorship of the School. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. In 2010, the original contract was extended until June 30, 2015. According to the contract, the School pays three percent of its foundation revenues to the Sponsor. In fiscal year 2010, the School's compensation to the Sponsor was \$30,090, which included \$2,806 in carryover payments from fiscal year 2009.

**14. MANAGEMENT COMPANY AGREEMENT**

In March 2008, the School contracted with Concepts Schools, Inc. to serve as the School's management company. The contract is renewed automatically every year in one year terms unless the School or the management company decides otherwise. According to the contract, the School transfers 12 percent of the funds received from the State. In fiscal year 2010, the School paid fees in the amount of \$101,062 to Concept Schools for management services.

**15. RELATED PARTIES**

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

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

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
School Breakfast Program	10.553	\$16,653	\$16,653
National School Lunch Program	10.555	40,341	40,341
<b>Total U.S. Department of Agriculture</b>		<u>56,994</u>	<u>56,994</u>
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education Grants - FY 2010	84.027	21,487	21,487
Special Education Grants - FY 2010 - ARRA	84.391	24,908	23,356
Total Special Education Cluster		<u>46,395</u>	<u>44,843</u>
Title I Cluster:			
Title I - FY 2010	84.010	110,025	110,025
Title I - FY 2010 - ARRA	84.389	40,497	40,497
Total Title I Cluster		<u>150,522</u>	<u>150,522</u>
Safe and Drug-Free Schools and Communities Safe Grants - FY 2010	84.186	1,308	1,308
Charter Schools - FY 2009	84.282	5,144	5,144
Charter Schools - FY 2010	84.282	260,925	260,925
Total Charter Schools		<u>266,069</u>	<u>266,069</u>
Technology Literacy Fund Grants - FY 2010	84.318	985	985
Improving Teacher Quality - FY 2009	84.367	324	324
Improving Teacher Quality - FY 2010	84.367	3,637	3,637
Total Improving Teacher Quality		<u>3,961</u>	<u>3,961</u>
Education Stabilization Fund - FY 2010 - ARRA	84.394	61,579	27,472
<b>Total U.S. Department of Education</b>		<u>530,819</u>	<u>495,160</u>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<u>\$587,813</u>	<u>\$552,154</u>

*The accompanying notes to this schedule are an integral part of this schedule.*

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

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**CFDA – Catalog of Federal Domestic Assistance**



# 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

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

To the Board of Directors:

We have audited the financial statements of Horizon Science Academy Denison Elementary School, Cuyahoga County, (the School) as of and for the year ended June 30, 2010, and have issued our report thereon dated May 27, 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 School'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 School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements 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 was not designed to identify all deficiencies in internal control over financial reporting 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.

### Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated May 27, 2011.

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

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



**Dave Yost**  
Auditor of State

May 27, 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

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

To the Board of Directors:

### Compliance

We have audited the compliance of Horizon Science Academy Denison Elementary School (the School) 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 Horizon Science Academy Denison Elementary School's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School's major federal programs. The School'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 School'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 School'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 School's compliance with those requirements.

As described in finding 2010-002 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding activities allowed or unallowed applicable to its Title I – Grants to Local Education Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the School to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Horizon Science Academy Denison Elementary School 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 School'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 School's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion 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 School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-002 to be a material weakness.

The School's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the School'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 Trustees, the Community School's sponsor, others within the School, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

May 27, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<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 for Charter Schools; Qualified for Title I Grants to Local Education Agencies (CFDA #84.010) and Unqualified for Title I Grants to Local Education Agencies (CFDA #84.389)
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	ARRA and Non-ARRA Title I, Grants to Local Educational Agencies – CFDA #84.010 and #84.389, respectively; and  Charter Schools – CFDA #84.282
<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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Noncompliance Citation**

**Annual Financial Reporting**

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or Board and filed with the Auditor of State within one hundred fifty days of the end of the fiscal year if GAAP statements are filed. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03(B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section requires that all counties, cities, and school districts, including educational service centers and community schools, file annual financial reports which are prepared using generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP standards;
- Cash flow statement as prescribed by GAAP standards; and
- Notes to the financial statements as prescribed by GAAP standards.

Per our review of the Local Government Services Financial Filing website, the School did not file its financial statements for the year ended June 30, 2010 until March 18, 2011.

In addition, Ohio Revised Code Section 117.38 provides, in part, that "at the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in Section 319.11 of the Ohio Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer."

No evidence was provided, by the School, that this required notice was published. This may prevent the public from being aware of the transparency available in the School.

By not filing their financial reports timely and not issuing an annual notice, the School is not fulfilling their duties of accountability and transparency to the public.

We recommend the School organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period and publish the notice of availability as required. If these financial statements are not filed within the prescribed timetable the School may be assessed a late filing penalty.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-001  
(Continued)**

**Noncompliance Citation (Continued)**

**Annual Financial Reporting (Continued)**

We also recommend at the time the report is filed with the Auditor of State, the School, except as otherwise provided in section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the School's central office.

**OFFICIAL'S RESPONSE:**

The School appreciates the assistance of the Auditor's office in informing the School of any missed deadlines. The School will file their financial reports within the prescribed deadlines for fiscal year 2011.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Title I**

<b>Finding Number</b>	2010-002
<b>CFDA Title and Number</b>	Title I and Title I ARRA Grants to Local Education Agencies (CFDA #84.010, 84.389)
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Title I Program Allowable Expenditures – Noncompliance / Questioned Cost / Material Weakness**

Charter schools are required to maintain "direct supervision and administration" of Federal programs. 34 CFR 75.701 states a grantee shall directly administer or supervise the administration of the project.

Also, for a cost to be allowable, it must be for a purpose the specific award permits and fall within OMB CIRCULAR A-87 Appendix A to Part 225—General Principles for Determining Allowable Costs. More specifically, Section C.1. of Appendix A provides basic guidelines indicate factors affecting allowability of costs. These guidelines indicate that for a cost to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS  
(Continued)**

**FINDING NUMBER 2010-002  
(Continued)**

During fiscal year 2010, the School used Title I monies, in part, to pay management fees to their management company, Concept Schools, in the amount of \$33,882. In addition, the School used Title I ARRA monies, in part, to pay management fees to Concept Schools in the amount of \$17,500.

The School was unable to provide sufficient supporting documentation to determine if the expenditures are reasonable for proper and efficient performance and administration of the federal award. Therefore, per the guidelines above, these expenditures are considered unallowable.

We recommend the School establish and maintain internal control designed to reasonably ensure with Federal laws, regulations and program compliance requirements, including controls designed to ensure compliance with the guidelines set forth in the above circular. In addition, the Board should consider memorialized in writing (either in the management company contract or in a resolution, etc.) some approval of a management company's intent to charge Federal programs administrative costs and how much.

**OFFICIAL'S RESPONSE:**

The School disputes the Auditor's indication that the fees were paid as management fees to Concept Schools. While the payments were made to Concept Schools, the payments were not management fees. Instead, the payments in question were made to pay for Practice OAA Test provided by Concept Schools, the School Management Database (which allows parents to track their children's academic progress) and Annual Professional Development and Evaluation for Teachers provided by Concepts Schools. These costs were part of the School's Comprehensive Continuous Improvement Plan (CCIP), which were reviewed and approved by the Federal Programs Consultants at ODE. The School spent those funds as indicated in its approved budget for its over 85% economically disadvantaged students.

The School has reviewed the above circular and will be reviewing internal controls relating to the expenditure of funds to ensure compliance with Federal laws, regulations and program compliance requirements.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 19, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the School administration semiannually provide the president of the School Board a written summary of all reported incidents and post the summary on its web site, if the School has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



**Dave Yost**  
Auditor of State

May 27, 2011



# Dave Yost • Auditor of State

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

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2011**