

***HAMILTON COUNTY MATHAMATICS AND  
SCIENCE ACADEMY  
HAMILTON COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEAR ENDED JUNE 30, 2008***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Hamilton County Mathematics and Science Academy, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

January 21, 2010

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**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY  
Audit Report  
For the Year Ending June 30, 2008**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

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 the Hamilton County Mathematics and Science Academy (the Academy) as of and for the year ended June 30, 2008, 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hamilton County Mathematics and Science Academy as of June 30, 2008, 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.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2009 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
November 24, 2009

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

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

The discussion and analysis of the Hamilton County Mathematics and Science Academy's (the Academy), financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. 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's Discussion and Analysis (MD&A) is an element of the new 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 issued June 1999. 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 increased \$376,611 (from Table 2). The increase was primarily due to the large decrease in non-operating expenses. Operating and non-operating revenues also increased due to higher student enrollment.
- Total assets increase \$365,424 (from Table 1), which represents a 30.1 percent increase from 2007. The increase was the result of a substantial increase in cash balances.
- Liabilities decreased \$11,183 (from Table 1), which represents a 1 percent decrease from 2007. This decrease was primarily the result of a reduction in non-current liabilities.

**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.

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

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

**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 2008" 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 2008 and fiscal year 2007:

(Table 1)

**Net Assets**

	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Current Assets	\$ 388,363	\$ 122,113
Capital Assets, Net	1,086,739	1,087,565
Deposits	102,530	2,530
Total Assets	1,577,632	1,212,208
<b>Liabilities</b>		
Current Liabilities	17,049	11,016
Non-Current Liabilities	937,678	954,894
Total Liabilities	954,727	965,910
<b>Net Assets</b>		
Invested in Capital Assets	149,061	132,671
Unrestricted	473,844	113,627
Total Net Assets	\$ 622,905	\$ 246,298

Total assets increased by \$365,424. This increase was primarily due to the increase in cash from the prior year. Cash increased by \$266,250 from 2007.



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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007, as well as a listing of revenues and expenses.

	<u>2008</u>	<u>2007</u>
<b>Operating Revenues</b>		
Foundation payments	\$ 2,407,077	\$ 1,809,006
State special education program	105,623	69,002
Miscellaneous	78,271	24,544
Total Operating Revenues	<u>2,590,971</u>	<u>1,902,552</u>
<b>Operating Expenses</b>		
Salaries	1,152,245	1,004,420
Fringe Benefits	374,757	317,198
Purchased Services	481,482	355,823
Supplies and materials	294,212	222,808
Depreciation	58,117	50,259
Other	1,416	3,159
Total Operating Expenses	<u>2,362,229</u>	<u>1,953,667</u>
Operating Income	228,742	(51,115)
<b>Non-Operating Revenue and Expense</b>		
Federal & State Grants	216,465	257,264
Gain/(Loss) on Disposal of Assets	(2,171)	-
Interest Expense	(66,429)	(6,135)
Total Non-Operating Revenues	<u>147,865</u>	<u>251,129</u>
Change in Net Assets	376,607	200,014
Net Assets Beginning of Year	<u>246,298</u>	<u>46,284</u>
Net Assets End of Year	<u>\$ 622,905</u>	<u>\$ 246,298</u>

The Net Asset change from 2007 to 2008, was driven by the increase in Operating Revenue. This was primarily due to the increase in Foundation payments. Operating expenses increased proportionately with the increase in the Foundation Payments.

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

**Capital Assets**

At the end of fiscal year 2008 the Academy had \$1,086,739 invested in Land, Building and Furniture and Equipment, which represented a decrease of \$826 from 2007. Table 3 shows fiscal year 2008 and fiscal year 2007:

(Table 3)

**Capital Assets at June 30, 2008  
(Net of Depreciation)**

	2008	2007
Land	\$ 25,000	\$ 25,000
Building	974,507	1,006,169
Furniture, Fixtures, and Equipment	87,232	56,396
Total	<u>\$1,086,739</u>	<u>\$ 1,087,565</u>

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

**Debt – Notes Payable**

At June 30, 2008, the Academy had \$937,678 in debt outstanding, of which \$59,133 is due within one year. Table 4 summarizes outstanding notes.

(Table 4)

	2008	2007
Debt due with one year	\$ 59,133	\$ 52,634
Debt due in more than one year	878,545	902,260
Total	<u>\$ 937,678</u>	<u>\$ 954,894</u>

On August 15, 2004 the Academy entered a land contract mortgage and building purchase in the amount of \$975,000 through First Financial Services, Inc. The mortgage was refinanced with a US Bank loan in August 2006 which was to mature in 15 years with a 7.1% interest rate compounding monthly. The note was retired upon the sale of the building in July 2008

**Contacting the Academy’s Financial Management**

This financial report is designed to provide our citizens with a general overview of the Academy’s finances and to show the Academy’s accountability for the money it receives. If you have questions about this report or need additional information contact the Fiscal Officer at the 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, 2008**

	<u>2008</u>
<b>Assets</b>	
<u>Current Assets</u>	
Cash	\$ 388,363
Total Current Assets	<u>388,363</u>
<u>Non-Current Assets</u>	
Land	25,000
Depreciable Capital Assets (Net of Accumulated Depreciation)	1,061,739
Deposits	<u>102,530</u>
Total Non-Current Assets	<u>1,189,269</u>
Total Assets	<u>\$ 1,577,632</u>
 <b>Liabilities</b>	
<u>Current Liabilities</u>	
Accrued Employee Benefits	<u>\$17,049</u>
Total Current Liabilities	<u>\$17,049</u>
<u>Non-Current Liabilities</u>	
Non-Current Liabilities Due Within One Year	59,133
Capital Lease Due in More Than One Year	38,256
Mortgage Loan Due in More Than One Year	<u>840,289</u>
Total Non-Current Liabilities	<u>937,678</u>
Total Liabilities	<u>954,727</u>
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	149,061
Unrestricted	<u>473,844</u>
Total Net Assets	<u>\$ 622,905</u>

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, 2008**

	<u>2008</u>
<b>Operating Revenues</b>	
Foundation payments	\$ 2,407,077
State special education program	105,623
Miscellaneous	<u>78,271</u>
Total Operating Revenues	<u>2,590,971</u>
<b>Operating Expenses</b>	
Salaries	1,152,245
Fringe Benefits	374,757
Purchased Services	481,482
Supplies and materials	294,212
Depreciation	58,117
Other	<u>1,416</u>
Total Operating Expenses	<u>2,362,229</u>
Operating Income	228,742
<b>Non-Operating Revenue and Expense</b>	
Federal & State Grants	216,465
Gain/(Loss) on Disposal of Asset	(2,171)
Interest Expense	<u>(66,429)</u>
Total Non-Operating Revenue and Expense	<u>147,865</u>
Change in Net Assets	376,607
Net Assets Beginning of Year	<u>246,298</u>
Net Assets End of Year	<u>\$ 622,905</u>

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, 2008**

	<b>2008</b>
<b>Increase (Decreases) in Cash and Cash Equivalents:</b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from State	\$ 2,512,700
Cash Received from Charges for Services & Other Receipts	78,271
Cash Payments to Employees for Services	(1,135,196)
Cash Payments for Employee Benefits	(374,757)
Cash Payments to Suppliers for Goods and Services	(788,126)
Net Cash Provided by Operating Activities	292,892
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Grants Received	216,465
Net Cash from Noncapital Financing Activities	216,465
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Capital Asset Additions	(22,295)
Deposit on Building	(100,000)
Capital Lease Payments, Including Interest	(40,711)
Repayment of Mortgage and Notes, Including Interest	(80,101)
Net Cash from Capital and Related Financing Activities	(243,107)
Net increase in cash and cash equivalents:	266,250
Cash and cash equivalents at beginning of year	122,113
Cash and cash equivalents at end of year	\$ 388,363
<b>Reconciliation of Operating loss to Net Cash</b>	
<b><u>Used for Operating Activities:</u></b>	
Operating Income	\$ 228,742
<b>Adjustments to Reconcile Operating Income (loss) to Net</b>	
<b><u>Cash Provided by Operating Activities:</u></b>	
Depreciation	58,117
Changes in Assets and Liabilities:	
(Decrease) in Accounts Payable	(11,016)
Increase in Accrued Wages & Benefits	17,049
Total Adjustments	64,150
Net cash used by operating activities	\$ 292,892

The Academy issued a capital lease during the year for \$60,481.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**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 six. 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. 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 Directors (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 Directors controls the Academy's one instructional/support facility staffed by 23 full-time teaching personnel who provided services to 350 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. However, the School has elected not to follow any FASB statements or interpretations after November 30, 1989. The more significant of the Academy's accounting policies are described below.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**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.

**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 transactions, in which the Academy receives value without directly giving equal value in return, include 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**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, 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.

The Academy is required by the Ohio Department of Education to submit an annual yearly budget and a five year forecast of the annual budget. The budgets are placed on the Ohio Department Web-Site for public view yearly.

**E. Cash**

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" 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

**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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**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 2008.

**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 \$388,363 and the bank balance was \$416,492. Of the bank balance, \$237,642 was covered by federal depository insurance and \$178,850 was uncollateralized.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**4. CAPITAL ASSETS**

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

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
<b>Business-Type Activity</b>				
Capital Assets Not Being Depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital Assets Being Depreciated				
Building	990,949	-	-	990,949
Building Improvements	103,318	-	-	103,318
Furniture, Fixtures, and Equipment	86,618	82,776	42,347	127,047
Total Capital Assets Being Depreciated	1,180,885	82,776	42,347	1,221,314
Less Accumulated Depreciation:				
Building	74,322	24,774	-	99,096
Building Improvements	13,776	6,887	-	20,664
Furniture, Fixtures, and Equipment	30,222	26,456	16,863	39,815
Total Accumulated Depreciation	118,320	58,117	16,863	159,575
Total Capital Assets Being Depreciated, Net	1,062,565	24,659	25,484	1,061,739
Business-Type Activity Capital Assets, Net	<u>\$1,087,565</u>	<u>\$24,659</u>	<u>\$25,484</u>	<u>\$1,086,739</u>

**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 2008, 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, 2008**

**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 2008, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, 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, 2008, 2007, and 2006 was \$80,655, \$68,271, and \$34,425, respectively; 100 percent has been contributed for all fiscal 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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.

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, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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, 2008, 2007, and 2006 was \$173,000, \$120,837, and \$71,211, respectively; 100 percent has been contributed for all fiscal years.

**8. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

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

STRS retirees who participate 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. 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, 2008, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contribution for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$12,283, \$8,631 and \$5,087 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.

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 2008, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008 this amount was \$35,800. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$23,008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**9. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from polices 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, scheduled 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.

**B. Insurance Benefits**

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

**10. SUBSEQUENT EVENT**

On August 15, 2004 a building and land at 7601 Harrison Avenue, Cincinnati, Ohio were purchased for \$1,000,000. The contract required payments of \$8,604 including interest at 7% with a balloon payment due June 2008. This agreement was refinanced in August 2006 with US Bank with a note that matures in 15 years at a rate of 7.1%. The Academy moved from this building in 2007 and sold it and the land in July 2008. In August 2007 the Academy entered into a lease agreement for another building located at 2675 Civic Drive, Cincinnati, Ohio. The new 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 February 2010. The Academy paid a \$100,000 nonrefundable deposit towards the purchase of the building.

**11. 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%.

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%.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

<u>Year Ending</u>	<u>Amount</u>
June 30, 2009	\$20,018
June 30, 2010	17,045
June 30, 2011	17,045
June 30, 2012	<u>7,102</u>
Total minimum lease payments	61,210
Less: Amount representing imputed interest cost	<u>(5,787)</u>
Present value of minimum lease payments	<u><u>\$55,423</u></u>

**12. NON-CURRENT LIABILITIES**

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

<u>Obligations</u>	<u>Principal Outstanding 6/30/07</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Principal Outstanding 6/30/08</u>	<u>Amounts Due in One Year</u>	<u>Amounts Due in More Than One Year</u>
Capital Lease – Equipment	\$27,642	-	\$27,642	-	-	-
Capital Lease – Copier	5,859	-	2,973	\$2,886	\$2,886	-
Mortgage Loan- US Bank	921,352	-	39,097	882,255	41,966	\$840,289
Capital Lease	<u>-</u>	<u>\$60,481</u>	<u>7,944</u>	<u>52,537</u>	<u>14,281</u>	<u>38,256</u>
Total	<u><u>\$954,853</u></u>	<u><u>\$60,481</u></u>	<u><u>\$77,656</u></u>	<u><u>\$937,678</u></u>	<u><u>\$59,133</u></u>	<u><u>\$878,545</u></u>

The beginning balance of debt was restated \$41 from the prior year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**13. CONTINGENCIES**

**a. Grants**

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2008.

**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 2008 as a result of such review.

**14. PURCHASED SERVICES**

For the year ended June 30, 2008, the purchased service expenses were comprised of the following:

Professional & Technical	\$ 103,317
Staff Development	7,608
Management Services	31,359
Data Processing Services	4,266
Legal Services & Accounting	25,751
Accounting	12,993
Communications	13,163
Postage & Printing	1,509
Pupil Transportation	8,465
Security Services	7,339
Trash Removal	7,645
Repair & Maintenance	44,262
Property Insurance	16,162
School Site Lease	26,994
Equipment Leasing	6,906
Gas & Electricity	53,325
Water & Sewer	5,296
Student Testing & Technical	1,860
Bank Fees	2,758
Miscellaneous	64,116
Property Taxes	43,309
Advertising	6,072
Total Purchased Services	<u>\$ 481,482</u>



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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Hamilton Math & Science Academy  
Hamilton County  
2675 Civic Drive  
Cincinnati, Ohio 45231

To the Board of Directors:

We have audited the financial statements of the Hamilton County Mathematics and Science Academy (the Academy) as of and for the year ended June 30, 2008 and have issued a report thereon dated November 24, 2009. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control. We consider the deficiencies described in the accompanying schedule of findings as items 2008-HCMSA-01 and 2008-HCMSA-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2008-HCMSA-01.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We also noted certain other matters that we have reported to management of the Academy in a separate letter dated November 24, 2009.

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

***Charles E. Harris and Associates, Inc.***

November 24, 2009

HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY  
SCHEDULE OF FINDINGS  
JUNE 30, 2008

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

Finding Number: 2008-HCMSA-01

**Material Weakness/Material Noncompliance-Annual Report Not Filed Timely**

Ohio Revised Code 117.38 requires community schools to prepare and file annual unaudited GAAP financial reports with the Auditor of State within 150 days of the fiscal year end. They are also required to publish in a local newspaper a notice that the report is available for public inspection.

Contrary to this requirement, the Academy failed to file a timely report and did not publish a notice as to the availability of the report for public inspection.

We recommend that the Academy implement procedures to ensure that annual financial reports are filed as required by the Ohio Revised Code.

Management's Response:

Management indicated they will complete financial statements and submit to the Auditor of State on a timely basis in the future.

Finding Number: 2008-HCMSA-02

**Material Weakness/Material Noncompliance-Bank Reconciliations Not Performed Monthly**

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. The Academy was without a treasurer for periods of fiscal year 2008 and therefore the bank accounts were not reconciled on a timely basis. There were adjustments required to the book balances that have been adjusted in the Academy's records and in the audit report.

Without complete and accurate monthly bank reconciliations, the Academy's internal control is weakened, which could hinder the detection of errors or irregularities by the Academy's management in a timely manner.

Management's Response:

This condition has been corrected with the appointment of a new treasurer during 2009.

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-HCMSA-01	Material weakness related to purchasing/accounts payable and payroll	Yes	
2007-HCMSA-02	Material weakness-Lack of segregation of duties	Yes	
2007-HCMSA-03	Annual report not filed timely	No	Repeated as finding 2008-HCMSA-01



**Mary Taylor, CPA**  
Auditor of State

**HAMILTON COUNTY MATHEMATICS 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  
FEBRUARY 2, 2010**