

Horizon Science Academy of Dayton  
Montgomery County, Ohio

Regular Audit

July 1, 2008 through June 30, 2009  
Fiscal Year Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Horizon Science Academy of Dayton  
545 Odlin Avenue  
Dayton, Ohio 45405

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy of Dayton, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 15, 2010

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**Horizon Science Academy of Dayton**  
*Table of Contents*  
*For the Fiscal Year Ended June 30, 2009*

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<b>Title</b>	<b>Page</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
Financial Statements:	
Statement of Net Assets .....	8
Statement of Revenues, Expenses and Changes in Net Assets .....	9
Statement of Cash Flows .....	10
Notes to the Basic Financial Statements .....	12
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	24
Independent Auditor's Report on Applying Agreed-Upon Procedures .....	26



## Independent Auditor's Report

Members of the Board  
Horizon Science Academy of Dayton  
5450 Odlin Ave.  
Dayton, OH 45405

We have audited the accompanying financial statements of the business-type activities of the Horizon Science Academy of Dayton, Montgomery County, (the Academy), as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express 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 that 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 respective financial position of the business-type activities of the Academy, as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2009 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of the Board  
Horizon Science Academy of Dayton  
Independent Auditor's Report  
Page 2

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2009

**HORIZON SCIENCE ACADEMY – DAYTON  
MONTGOMERY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

The discussion and analysis of Horizon Science Academy- Dayton, Inc.’s (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

- Total net assets increased by \$246,823
- The School had total operating revenues of \$1,451,604
- The School had total operating expenses of \$1,697,730
- The current liabilities increased by \$24,967
- The School received Federal and State Grants total of \$501,437

In the fiscal year ended June 30, 2009, the School significantly improved its financial standing. Its net assets increased from (\$129,079) to \$117,744. The main reason behind this improvement was a 19% increase in foundation revenues due to increased enrollment. The School enrolled 201 students in fiscal year 2009 comparing to 189 students in fiscal year 2008. The School also received federal E-Rate program grant in the amount of \$147,791 in the form of network and other technological equipment. Due to the grant and other capital asset purchases, the School’s capital assets also increased significantly by \$144,121 in the fiscal year. Due to the higher enrollment, the salaries also increased by 17% in the fiscal year 2009.

**Using this Financial Report:**

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

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* reflect how the School did financially during fiscal year 2009. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The School uses enterprise presentation for all of its activities.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**Contacting the School's Financial Management:**

This financial report is designed to provide citizens, grantors and potential 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 Omer Yalniz, Fiscal Officer, Horizon Science Academy- Dayton Inc., 545 Odlin Ave. Dayton, OH 45405.

Table 1 provides a comparison of School's net assets in fiscal years 2008 and 2009.

	<u>June 30, 2008</u>	<u>June 30, 2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	26,470	86,839
IG Receivable	19,304	29,023
Prepaid Payroll Liabilities	5,337	26,754
<b>Total Current Assets</b>	<b>51,111</b>	<b>142,616</b>
<b>Non-Current Assets</b>		
Capital Assets (Net of Accumulated Depreciation)	46,439	190,560
<b>Total Assets</b>	<b>97,550</b>	<b>333,176</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable	20,460	36,533
Payroll Liabilities	1,316	-
Accrued Wages	54,452	63,908
Loan from Breeze Inc. - current	50,500	87,000
Loan from Concept Schools - current	34,993	0
Capital Leases- Current	5,762	5,009
<b>Total Current Liabilities</b>	<b>167,483</b>	<b>192,450</b>
<b>Long Term Liabilities</b>		
Loan from Breeze Inc.	50,500	0
Capital Leases- Long Term	8,646	22,982
<b>Total Long Term Liabilities</b>	<b>59,146</b>	<b>22,982</b>
<b>Total Liabilities</b>	<b>226,629</b>	<b>215,432</b>
<b>NET ASSETS</b>		
<b>Investment in Capital Assets, Net of Debt</b>	32,031	162,567
<b>Unrestricted</b>	(161,110)	(44,823)
<b>Total Net Assets</b>	<b>\$ (129,079)</b>	<b>\$ 117,744</b>

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

Table 2 provides a comparison of School's Revenues & Expenses and Changes in Net Assets in fiscal years in 2008 and 2009.

	<u>June 30, 2008</u>	<u>June 30, 2009</u>
<b><u>Operational Income/Expense</u></b>		
<b>Income</b>		
Foundation Payments	1,187,668	1,421,732
Instructional Fees	2,875	5,065
Extracurricular Activities	5,019	5,752
Food Services	12,200	1,833
Other Local Revenue	19,593	17,222
<b>Total Operational Income</b>	<b>1,227,355</b>	<b>1,451,604</b>
<b>Expense</b>		
Salaries	660,070	775,540
Benefits	160,514	183,790
Purchased Services	361,529	479,668
Supplies & Materials	49,204	154,622
Other Objects	54,848	39,321
Depreciation Expense	18,886	64,789
<b>Total Operational Expense</b>	<b>1,305,051</b>	<b>1,697,730</b>
<b>Net Operational Loss</b>	<b>(77,696)</b>	<b>(246,126)</b>
<b><u>Non-Operational Income/Expense</u></b>		
Federal Grants	257,701	493,808
State Grants	7,973	7,629
Interest and Fiscal Charges	(2,956)	(2,161)
Loss from Disposal of Assets	-	(6,327)
<b>Net Non-Operational Income</b>	<b>262,718</b>	<b>492,949</b>
<b><u>Net Assets</u></b>		
<b>Change in Net Assets</b>	185,022	246,823
<b>Net Assets at Beginning of Year</b>	(314,101)	(129,079)
<b>Net Assets at End of Year</b>	<b>\$ (129,079)</b>	<b>\$ 117,744</b>

The increase in revenues and expenditures is a result of the increase in enrollment. The school's enrollment was 189 in fiscal year 2008, and 201 in fiscal year 2009.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

Table 3 shows the distribution of revenues in Fiscal Year 2009.

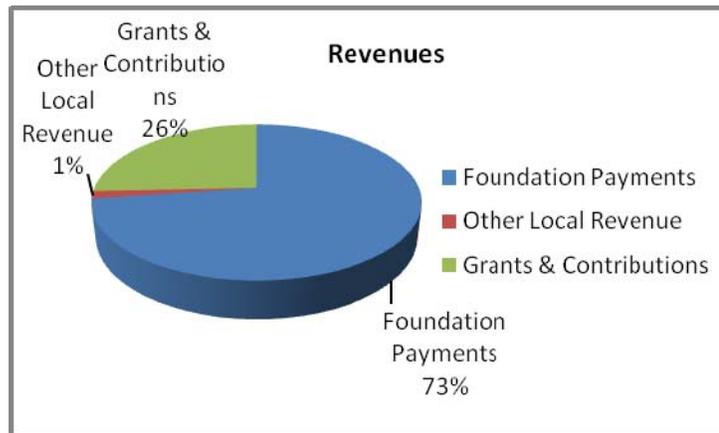


Table 4 shows the distribution of expenses in Fiscal Year 2009.

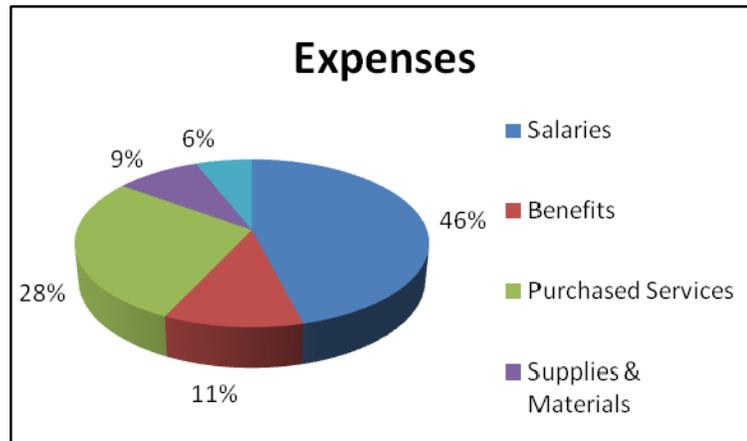


Table 5 shows the Capital Assets net of Accumulated Depreciation.

<b>Capital Assets</b>				
	<b>Ending June 30, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending June 30, 2009</b>
Instructional Furniture & Equipment	84,757	193,063	19,980	257,840
Office Furniture & Equipment	12,697	-	-	12,697
Improvements	-	22,174	-	22,174
<b>Total Fixed Assets</b>	<b>97,454</b>	<b>215,237</b>	<b>19,980</b>	<b>292,711</b>
Less: Accumulated Depreciation	(51,015)	(64,789)	(13,653)	(102,151)
<b>Net Fixed Assets</b>	<b>\$ 46,439</b>	<b>\$ 150,448</b>	<b>\$ 6,327</b>	<b>\$ 190,560</b>

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**Debt**

At June 30, 2009, the Academy had \$114,992 in notes payable to various entities. Of this amount, \$92,009 is due within one year and the remaining amount of \$22,983 is due in more than one year.

The Academy also has capital leases in which \$42,405 is still due. \$9,946 is due within one year with the remaining amount of \$32,459 due in more than one year.

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

**Current Financial Related Activities**

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

**Contacting the Academy's Financial Management**

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

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**Statement of Net Assets  
For the Fiscal Year Ended June 30, 2009**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	86,839
IG Receivable	29,023
Prepaid Payroll Liabilities	<u>26,754</u>
<b>Total Current Assets</b>	<b>142,616</b>

**Non-Current Assets**

Capital Assets (Net of Accumulated Depreciation)	190,560
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<b>Total Assets</b>	<b><u>333,176</u></b>
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**LIABILITIES & EQUITY**

**Current Liabilities**

Accounts Payable	36,533
Accrued Wages	63,908
Loan from Breeze, Inc.	87,000
Capital Leases- Current	<u>5,009</u>
<b>Total Current Liabilities</b>	<b>192,450</b>

**Long Term Liabilities**

Capital Leases- Long Term	<u>22,982</u>
<b>Total Long Term Liabilities</b>	<b>22,982</b>

<b>Total Liabilities</b>	<b><u>215,432</u></b>
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	162,567
Unrestricted	(44,823)
<b>Total Net Assets</b>	<b><u>\$ 117,744</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**Statement of Revenues, Expenses  
and Change in Net Assets  
For the Fiscal Year Ended June 30, 2009**

<b><u>Operational Income/Expense</u></b>	
<b>Income</b>	
Foundation Payments	1,421,732
Instructional Fees	5,065
Extracurricular Activities	5,752
Food Services	1,833
Other Local Revenue	17,222
	<hr/>
<b>Total Operational Income</b>	<b>1,451,604</b>
<b>Expense</b>	
Salaries	775,540
Benefits	183,790
Purchased Services	479,668
Supplies & Materials	154,622
Other Objects	39,321
Depreciation Expense	64,789
	<hr/>
<b>Total Operational Expense</b>	<b>1,697,730</b>
<b>Net Operational Income</b>	<b>(246,126)</b>
<b><u>Non-Operational Income/Expense</u></b>	
Federal Grants	493,808
State Grants	7,629
Interest Payments	(2,161)
Loss from Disposal of Assets	(6,327)
	<hr/>
<b>Net Non-Operational Income</b>	<b>492,949</b>
<b><u>Net Assets</u></b>	
<b>Change in Net Assets</b>	246,823
<b>Net Assets at Beginning of Year</b>	(129,079)
<b>Net Assets at End of Year</b>	<b><u><u>\$ 117,744</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**Statement of Cash Flows  
For Fiscal Year Ended June 30, 2009**

<b>Cash Flows from Operating Activities</b>	
Cash Received from State of Ohio	1,421,732
Cash Received from Other Operating Revenues	29,872
Cash Payments to Suppliers for Goods and Services	(618,217)
Cash Payments to Employees for Services	(766,084)
Cash Payments for Employee Benefits	(203,891)
Other Cash Payments	(39,321)
<b>Net Cash Used for Operating Activities</b>	<b>(175,909)</b>
<b>Cash Flows from Noncapital Financial Activities</b>	
Grants Received from Federal Gov	336,298
Grants Received from State	7,629
Loan Payments	(48,993)
Interest Payments	(2,161)
<b>Net Cash Provided by Noncapital Financial Activities:</b>	<b>292,773</b>
<b>Cash Flows from Capital and Related Activities</b>	
Payments for Capital Acquisitions	(45,157)
Payments for Capitalized Leases	(11,338)
<b>Net Cash Provided by Capital and Related Activities</b>	<b>(56,495)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>60,369</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>26,470</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 86,839</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**Statement of Cash Flows**  
For Fiscal Year Ended June 30, 2009  
(Continued)

**Reconciliation of Operating Income to Net  
Cash Used for Operating Activities:**

Operating Income	(246,126)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</b>	
Depreciation	64,789
<b>Changes in Assets and Liabilities</b>	
Increase in Accounts Payable	16,073
Increase in Payroll Liabilities	(20,101)
Increase in Wages Payable	9,456
<b>Total Adjustments</b>	<u>70,217</u>
<b>Net Cash Used for Operating Activities</b>	<u><u>\$ (175,909)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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

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

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

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. In FY2009 the School employed 24 full time and part time personnel for up to 201 students.

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

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

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

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

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

The accounting and financial reporting treatment is determined by its 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 Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the School finances meets the cash flow needs of its enterprise activities.

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

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; rather community schools are required to create a Five Year Budget Forecast that is approved by the School Board and submitted to ODE and to the School's Sponsor. The contract between the School and its Sponsor does not prescribe any other budgetary process for the School.

**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 2009.

**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 maintained a capitalization threshold of one thousand dollars for inventory assets and ten thousand dollars for fixtures and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The School does not capitalize interest.

Furniture, fixtures, vehicles 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.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

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

**E. Capital Assets and Depreciation (Continued)**

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

**F. Intergovernmental Revenues**

In FY 2009 the School participated in the State Foundation Program, Parity Aid Program, and Special Education Program. Revenues received from these programs and other State programs are recognized as operating revenues. The amount of these grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and fulltime equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

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

**G. 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 this definition are reported as non-operating.

**H. Compensated Absences**

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

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the 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 the end of the fiscal year ended June 30, 2009 the School did not have any restricted net assets.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

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

**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 AND INVESTMENTS**

At June 30, 2009, the book balances of the School's bank account at National City Bank and Chase Bank were \$84,634 and \$2,205 and the Bank balances were \$110,168 and \$2,205 respectively. The bank balance is insured by FDIC up to \$100,000. The School had no investments at June 30, 2009 or during the fiscal year.

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

<b>Capital Assets</b>				
	<b>Ending June 30, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending June 30, 2009</b>
Instructional Furniture & Equipment	84,757	193,063	19,980	257,840
Office Furniture & Equipment	12,697	-	-	12,697
Improvements	-	22,174	-	22,174
<b>Total Fixed Assets</b>	<b>97,454</b>	<b>215,237</b>	<b>19,980</b>	<b>292,711</b>
Less: Accumulated Depreciation	(51,015)	(64,789)	(13,653)	(102,151)
<b>Net Fixed Assets</b>	<b>\$ 46,439</b>	<b>\$ 150,448</b>	<b>\$ 6,327</b>	<b>\$ 190,560</b>

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**5. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, 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 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, calling toll-free (800)878-5853 or by visiting the SERS Ohio web site at [www.ohsers.org/](http://www.ohsers.org/) under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The remaining 4.91% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$6,976, \$5,711, and \$5,389 respectively; 100 percent has been contributed for fiscal year 2009 and previous fiscal years.

**B. State Teachers Retirement System**

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](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. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

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

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

Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy - For the fiscal year ended June 30, 2009, 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 years ended June 30, 2009, 2008, and 2007 were \$101,544, \$77,440, and \$111,288 respectively; 100 percent has been contributed for fiscal year 2009 and for the previous years.

**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 of Ohio have an option to choose Social Security or the School Retirement System. In fiscal year 2009 none of the Academy's teachers chose Social Security. The Board's liability is 6.2 percent of wages.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**6. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 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 2009, this amount was \$35,800. Statutes do not provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$3,013, \$2,952, and \$2,794 respectively; 100 percent has been contributed for fiscal year 2009 and for the previous years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$374, \$269, and \$262 respectively; 100 percent has been contributed for fiscal year 2009 and for the previous years.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**6. POSTEMPLOYMENT BENEFITS (continued)**

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,253, \$5,957, and \$7,949 respectively; 100 percent has been contributed for fiscal year 2009 and for the previous years.

**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 2009, the School contracted with The Cincinnati Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate with no deductible.

**8. RISK MANAGEMENT (Continued)**

**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 fact or that is calculated by the State. The School did not owe for this premium as of June 30, 2009.

**9. EMPLOYEE MEDICAL AND DENTAL BENEFITS**

According to the School Policy, the School is required to provide Medical and Dental Insurance to all its full time employees. 60% of the monthly premiums for Medical and Dental coverage are to be paid by the School while the remaining 40% are to be deducted from employee’s wages.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**10. PURCHASED SERVICES**

Purchased service expenses during fiscal year 2009 were as follows:

<b>Purchased Services</b>	
<b>Type</b>	<b>Amount</b>
Professional Services	201,693
Rent and Property Services	222,596
Advertising and Communications	23,904
Pupil Transportation	7,657
Staff Transportation	2,808
Food Services	21,010
<b>Total</b>	<b>\$ 479,668</b>

**11. OPERATING LEASES**

The School entered into an operating sublease agreement with Breeze Inc. at the beginning of the fiscal year 2006 for school facilities at 545 Odlin Ave. With an amendment made on November 21, 2006 to the sublease agreement, the School directly involved with the landlord of the facilities which is the Congregation of Our Lady of Mercy Roman Catholic Church. According to the current lease agreement, the monthly rent is \$11,962 for facilities and \$775 for the parking lot with an annual increase of 4%.

**12. CAPITAL LEASES**

During current and prior years, the School entered into capitalized lease agreements for equipment. The 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. At the end of fiscal year ended June 30, 2009, the total recorded cost of capital lease assets was \$32,882 with the accumulated depreciation of \$6,928. The payment schedule for principle and interest on those capital leases is as follows:

<b>Capital Leases Payment Schedule</b>	
<b>For the Year Ending June 30,</b>	<b>Lease Payments</b>
2010	\$ 9,946
2011	9,946
2012	8,666
2013	8,026
2014	5,821
<b>Total Lease Payments</b>	<b>42,405</b>
<b>Less: Amounts Representing Interest</b>	<b>(14,414)</b>
<b>Present Value of Minimum Lease Payments</b>	<b>\$ 27,991</b>

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**13. LONG-TERM OBLIGATIONS**

In the fiscal year ended June 30, 2006 the School borrowed interest free loans from Concept Schools, its Management Company and Breeze Inc. The payments made towards these loans and their balances are as follows:

	Amount Outstanding		Amount Outstanding		Due in One Year
	6/30/2008	Additions	Deletions	6/30/2009	
Notes Payable:					
Note Payable – Breeze, Inc. – 0%	\$101,000	\$0	\$14,000	\$87,000	\$87,000
Note Payable – Concept Schools – 0%	34,993	0	34,993	0	0
Capital Leases:					
Copier Capital Lease – 7.73%	8,919	0	8,919	0	0
Copier Capital Lease – 9.25%	5,489	0	1,473	4,016	1,616
Copier Capital Lease – 13.82%	0	12,461	743	11,718	1,967
Copier Capital Lease – 26.93%	0	12,461	203	12,258	1,426
Total Long-Term Obligations	\$150,401	\$24,922	\$60,331	\$114,992	\$92,009

**14. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

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

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Although a review for Fiscal Year 2009 has not been completed yet, the Academy believes it will not have any adverse effect on the Academy's financial position at June 30, 2009.

**15. SPONSORSHIP AGREEMENT**

On November 18, 2004, the Academy signed a sponsorship agreement with Lucas County Educational Services. 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. On May 2, 2009 the original contract has been extended until July 1, 2012. According to the contract, the Academy pays 1% of its foundation revenues to the Sponsor. This rate will be increased to 1.5% as of July 1, 2009. In fiscal year 2009, the schools compensation to the Sponsor was \$14,217.

**HORIZON SCIENCE ACADEMY- DAYTON  
MONTGOMERY COUNTY**

**16. MANAGEMENT COMPANY AGREEMENT**

School contracted with Concepts Schools, Inc. on January 1, 2005 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% of the funds received from State, except for restricted CCIP grants. Total incurred management fees in the fiscal year was \$141,918.



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

Members of the Board  
Horizon Science Academy of Dayton  
5450 Odlin Ave.  
Dayton, Ohio 45405

We have audited the financial statements of the business-type activities of the Horizon Science Academy of Dayton (the Academy) as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 31, 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

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

Members of the Board

Horizon Science Academy of Dayton

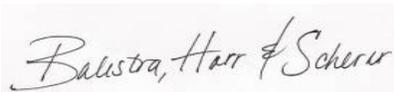
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report for the information and use of management and members of the Board. We intend it for no one other than these specified parties.

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

Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2009



### Independent Auditor's Report on Applying Agreed-Upon Procedures

Horizon Science Academy of Dayton  
Montgomery County  
5450 Odlin Ave.  
Dayton, Ohio 45405

To the Board of Education:

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 of Dayton (the Academy) 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 Accounts. 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 has not adopted a anti-harassment policy as of December 31, 2009.

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 is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr &amp; Scherer".

Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2009





Mary Taylor, CPA  
Auditor of State

**HORIZON SCIENCE ACADEMY OF DAYTON  
MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 25, 2010**