

Horizon Science Academy of Toledo
Lucas County, Ohio

Single Audit

July 1, 2009 through June 30, 2010
Fiscal Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639
9076 Ohio River Road, Wheelersburg, Ohio 45694 Phone: 740.876.9121 Fax: 800.210.2573



Dave Yost • Auditor of State

Board Members
Horizon Science Academy of Toledo
425 Jefferson Avenue
Toledo, Ohio 43604

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy of Toledo, Lucas County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Toledo is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 15, 2011

This Page is Intentionally Left Blank.

Horizon Science Academy of Toledo
Table of Contents
For the Fiscal Year Ended June 30, 2010

Title	Page
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-6
Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Change in Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10-21
Schedule of Federal Awards Receipts and Expenditures	22
Notes to the Schedule of Federal Awards Receipts and Expenditures	23
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	24-25
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	26-27
Schedule of Findings – OMB Circular A-133 §.505	28



Independent Auditor's Report

Members of the Board
Horizon Science Academy of Toledo
425 Jefferson Avenue
Toledo, OH 43604

We have audited the accompanying financial statements of the business-type activities of the Horizon Science Academy of Toledo, Lucas County, Ohio, (the Academy), as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

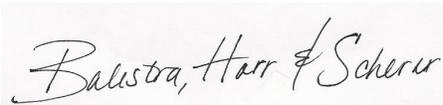
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Horizon Science Academy of Toledo, Lucas County, Ohio, as of June 30, 2010, and the respective changes in financial position and 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 March 18, 2011 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

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

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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.

March 18, 2011

Horizon Science Academy of Toledo
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

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

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- Total assets were \$332,742.
- Total liabilities were \$150,756.
- Total net assets increased \$307,037.

Using this Financial Report

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

Reporting the School as a Whole

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

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

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

Horizon Science Academy of Toledo
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

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

Table 1

	Net Assets	
	2010	2009*
<u>Assets</u>		
Current and Other Assets	\$214,680	\$22,324
Capital Assets, Net	118,062	132,863
Total Assets	332,742	155,187
<u>Liabilities</u>		
Current Liabilities	144,759	201,545
Non-Current Liabilities	5,997	78,693
Total Liabilities	150,756	280,238
<u>Net Assets</u>		
Invested in Capital Assets	109,489	130,811
Unrestricted	72,497	(255,862)
Total Net Assets	\$181,986	(\$125,051)

* Certain reclassifications were made for consistency with current year reporting. There is no effect on net assets.

Total assets increased by \$177,555. This increase is due mainly to increase in cash and cash equivalents. Capital assets decreased by \$14,801. This decrease is due to depreciation of \$37,112 exceeding additions of \$22,311 in the current year. Intergovernmental receivables increased by \$32,658. Total liabilities decreased \$129,482. This decrease is due mainly to payments in notes payable of \$113,696 and accounts payable of \$6,004.

Horizon Science Academy of Toledo
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

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

Table 2

Revenues, Expenses and Change in Net Assets		
	2010	2009
<u>Operating Revenue/Expense</u>		
Revenue		
Foundation Payments	\$1,823,132	\$1,737,737
Food Services	3,136	4,241
Classroom Fees	5,854	9,413
Extracurricular Activities	18,177	11,707
Donated Management Fee	19,772	161,344
Other Local Revenue	27,439	10,910
Total Operating Revenues	1,897,510	1,935,352
Expense		
Salaries	1,084,263	1,059,116
Fringe Benefits	259,537	228,441
Purchased Services	809,540	704,670
Materials and Supplies	65,713	83,941
Miscellaneous Expenses	37,112	48,544
Depreciation Expense	56,465	53,064
Total Operating Expenses	2,312,630	2,177,776
Net Operating Loss	(415,120)	(242,424)
<u>Non-Operating Revenues/Expenses</u>		
Restricted Grant-In-Aid- Federal	718,599	359,695
Restricted Grant In-Aid- State	6,848	6,000
Interest Expense	(3,290)	(9,637)
Total Non-Operating Revenues/Expenses	722,157	356,058
<u>Net Assets</u>		
Change in Net Assets	307,037	113,634
Net Assets at Beginning of Year	(125,051)	(238,685)
Net Assets at End of Year	\$181,986	(\$125,051)

Foundation support and federal grant revenue increased \$85,395 and \$358,904, respectively, primarily as a result of an increase in student enrollment. The Academy also received in-kind support (donated management fee) in the amount of \$19,772 in 2010. Purchased services increased \$104,870 also as a result of increased need for services resulting from an increase in student enrollment.

Foundation support is the primary support of the Academy, comprising 96% of operating revenue and 70% of total revenues. The Academy also received a significant portion of federal grants, which represents 27% of total revenue. Salaries and benefits comprise the largest portion of operating expenses, representing 58 % of total operating expenses. Purchased services also represent a large portion of operating expenses, at 35% of total expenses. Net assets increased \$307,037 resulting from revenues in excess of expenses.

Horizon Science Academy of Toledo
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Capital Assets

At the end of fiscal year 2010 the Academy had \$118,062, invested in furniture and equipment (net of \$142,425 in accumulated depreciation). Table 3 shows fiscal year 2010 and fiscal year 2009:

Table 3

Capital Assets (Net of Depreciation)		
	2010	2009
Furniture and Equipment	\$118,062	\$132,862
Totals	\$118,062	\$132,862

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

Debt and Capital Leases

The Academy entered into a promissory note with Horizon Science Academy – Cleveland on March 18, 2005, in the amount of \$200,000, at an interest rate of 6 percent. The note was used to pay for general operations of the Academy. In 2008, the Academy also obtained a loan from Concept Schools in the amount of \$90,000 which was used to pay for general operations of the Academy. As of June 30, 2010 and 2009, the Academy has outstanding note balances as follows:

Table 4

Outstanding Note Balances		
	2010	2009
HSA Cleveland	\$0	\$113,196
Concept Schools	0	500
Total	\$0	\$113,696

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

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Aman Gurdov, Treasurer, Horizon Science Academy of Toledo, 425 Jefferson Avenue, Toledo, Ohio 43604-1060.

Horizon Science Academy Toledo
Statement of Net Assets
For the Fiscal Year Ended June 30, 2010

ASSETS:

Current Assets:

Cash and cash equivalents	\$121,081
Prepaid Payroll Liability	47,347
Intergovernmental receivable	<u>46,252</u>

Total current assets 214,680

Noncurrent Assets:

Depreciable capital assets	<u>118,062</u>
----------------------------	----------------

Total assets 332,742

LIABILITIES:

Current Liabilities:

Accounts payable	38,744
Accrued wages and benefits payable	103,439
Capital Lease - current portion	<u>2,576</u>

Total current liabilities 144,759

Noncurrent Liabilities:

Capital Lease - noncurrent portion	<u>5,997</u>
------------------------------------	--------------

Total noncurrent liabilities 5,997

Total liabilities 150,756

NET ASSETS:

Invested in capital assets, net of related debt	109,489
Unrestricted (deficit)	<u>72,497</u>

Total net assets \$181,986

See accompanying notes to the basic financial statements.

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

OPERATING REVENUES:	
Foundation payments	\$1,823,132
Food services	3,136
Classroom fees	5,854
Extracurricular activities	18,177
Donated management fee	19,772
Other revenue	<u>27,439</u>
Total operating revenues	<u>1,897,510</u>
 OPERATING EXPENSES:	
Salaries	1,084,263
Fringe benefits	259,537
Purchased services	809,540
Materials and supplies	65,713
Depreciation	37,112
Miscellaneous	<u>56,465</u>
Total operating expenses	<u>2,312,630</u>
Operating loss	<u>(415,120)</u>
 NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(3,290)
Restricted grants in aid - federal	718,599
Restricted grants in aid - state	6,848
Total non-operating revenues (expenses)	<u>722,157</u>
Change in net assets	307,037
Net assets, beginning of year	<u>(125,051)</u>
Net assets, end of year	<u><u>\$181,986</u></u>

See accompanying notes to the basic financial statements.

Horizon Science Academy Toledo
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from State of Ohio	\$1,790,474
Cash received from other operating revenues	54,606
Cash payments to suppliers for goods and services	(861,485)
Cash payments to employees for services and benefits	(1,392,678)
Other cash payments	(56,465)
Net cash used for operating activities	(465,548)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Federal grants received	718,599
State grants received	6,848
Net cash provided by noncapital financing activities	725,447

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on notes payable	(113,696)
Interest paid on notes payable	(5,743)
Principal paid on capital lease payable	(2,397)
Interest paid on capital lease payable	(711)
Payment for capital acquisitions	(22,311)
Net cash used for capital and related financing activities	(144,858)

Net increase in cash and cash equivalents	115,041
Cash and cash equivalents at beginning of year	6,040

Cash and cash equivalents at end of year	\$121,081
--	-----------

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Operating loss	(\$415,120)
----------------	-------------

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

Depreciation	37,112
Increase in intergovernmental receivable (Foundation payments)	(32,658)
Decrease in accounts payable	(6,004)
Decrease in accrued wages and benefits payable	(4,221)
Increase in prepaid payroll liabilities	(44,657)
Total adjustments	(50,428)

Net cash used for operating activities	(\$465,548)
--	-------------

NONCASH TRANSACTIONS:

Donated management fee	\$19,772
Purchased services	(19,772)

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

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

The Academy was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing March 11, 2004. On May 2, 2007 the original contract was extended until June 30, 2012.

The Academy operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees controls the Academy's facility, which is currently staffed by 40 full and part time personnel who provide services to up to 270 students during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

B. Measurement Focus and Basis of Accounting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

C. Budgetary Process

Unlike traditional 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, except House Bill 364, which took effect April 8, 2003, added Ohio Rev. Code Section 3314.03 (11)(d), which states that community schools must comply with Ohio Rev. Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

D. Cash

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

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The Academy does not capitalize interest.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

G. Operating Revenues and Expenses

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

H. Compensated Absences

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

I. Net Assets

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

J. Estimates

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

3. DEPOSITS

As of June 30, 2010, the Academy's bank balance of \$147,971 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described below.

Horizon Science Academy of Toledo
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

3. DEPOSITS (Continued)

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

4. CAPITAL ASSETS

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

Capital Assets				
	Balance			Ending
	July 1, 2009	Additions	Deletions	June 30, 2010
Furniture and Equipment	\$ 259,641	\$ 22,311	\$ (21,465)	\$ 260,487
Total Fixed Assets	259,641	22,311	(21,465)	260,487
Less: Accumulated Depreciation	(126,778)	(37,112)	21,465	(142,425)
Net Fixed Assets	\$ 132,863	\$ (14,801)	\$ -	\$ 118,062

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Form and Publications*.

5. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10% of their annual covered salary and Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$20,172, \$12,252, and \$22,665, respectively; which equaled the required contributions each year.

B. State Teachers Retirement System

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

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

5. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

5. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal years ended June 30, 2010, 2009, and 2008, plan members were required to contribute 10 percent of their annual covered salaries. For these fiscal years, the Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$133,728, \$135,116, and \$126,084, respectively; 100% has been contributed for fiscal years 2010, 2009 and 2008.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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 Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

6. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Academy, these amounts equaled \$9,552, \$9,621, and \$9,006, for fiscal years 2010, 2009, and 2008, respectively, which equaled the required contribution for each year.

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

6. POSTEMPLOYMENT BENEFITS (Continued)

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, 2009, and 2008 the actuarially required allocations were 0.76%, 0.75%, and 0.66%, respectively. The Academy's contributions for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,081, \$808, and \$1,068, respectively, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the Academy contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$5,994, \$4,460, and \$6,767, respectively, which equaled the required contributions for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Academy contracted with Great American Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate and no deductible. There has been no reduction in coverage from the prior year. There have been no settlements exceeding coverage in any of the last three fiscal years.

B. Workers Compensation

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. 100% of this premium was paid for fiscal year 2010.

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

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

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2010 were as follows:

<u>Type</u>	<u>Amount</u>
Professional Services	\$409,139
Rent and Property Services	299,987
Admin Travel	3,708
Advertising and Communications	49,387
Pupil Transportation	47,319
Total	<u>809,540</u>

Horizon Science Academy of Toledo
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

10. NOTES PAYABLE

The Academy entered into a promissory note with Horizon Science Academy – Cleveland on March 18, 2005, in the amount of \$200,000, at an interest rate of 6 percent. The note was used to pay for general operations of the Academy. The note was renegotiated on March 3, 2008 with modified repayment terms and forgiveness of past due interest. As of June 30, 2010, the Academy had no outstanding balance due to Horizon Science Academy – Cleveland.

The Academy received an interest free loan from Concept Schools during fiscal year 2008 in the amount of \$90,000. The loan was used to pay for general operations of the Academy. As of June 30, 2010, the School had no outstanding balance on this loan.

Note payable activity during fiscal year 2010 was as follows:

	Balance at 7/1/2009	Additions	Deletions	Balance at 6/30/2010
Note Payable – HSA – Cleveland	\$113,196	\$0	\$113,196	\$0
Note Payable – Concept Schools	500	0	500	0
Total	\$113,696	\$0	\$113,696	\$0

11. OPERATING LEASES

The Academy entered into a sub-lease for a building facility for the period July 1, 2004 through June 30, 2009 with Concept Schools. On February 28, 2007, Concept Schools transferred the lease to the landlord, Zaleski Secor LLC. During fiscal year 2010, payments made to Zaleski Secor LLC totaled \$261,000. In June, 2009, The Academy renewed its lease agreement with Zaleski Score LLC. The term of the lease is for five (5) years beginning on July1, 2009 and ending on June 30, 2014. Monthly rent is \$22,000 for fiscal year 2011.

The Academy entered into a lease for two copiers with Ikon Financial Services. One copier has a lease period of March 24, 2006 through March 23, 2011. The other copier had a lease period of August 3, 2004 through August 2, 2009, which was paid off during the fiscal year.

The following is a schedule of the future payments required under the operating leases as of June 30, 2010.

Fiscal Year Ending June 30,	Facility Lease	Copier Lease
2011	264,000	4,795
2012	276,000	0
2013	288,000	0
2014	294,000	0
Total minimum lease payments	\$1,122,000	\$4,795

12. CAPITALIZED LEASE – LESSEE DISCLOSURE

The Academy entered into a capital lease in August, 2008 for a color copier. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The capital lease was recorded at the present value of the future minimum lease payments as of the inception date. Principal payments made during fiscal year 2010 total \$2,397.

The following is a schedule of the future minimum lease payments required under the capital lease as of June 30, 2010:

Fiscal Year Ending June 30,	
2011	\$ 3,108
2012	3,108
2013	3,108
2014	259
Minimum Lease Payments	9,583
Less: Amount representing interest at the School’s incremental borrowing rate of interest	(1,010)
Present Value of Minimum Lease Payments	\$ 8,573

13. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School. In fiscal year 2010, the Academy received grants from State and Federal agencies total of \$725,447.

B. Ohio Department of Education Enrollment Review

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

14. SPONSORSHIP AGREEMENT

On July 1, 2004, Lucas County Educational Service Center assumed responsibility for sponsorship of the Academy. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. On May 2, 2007 the original contract was extended until June 30, 2012. According to the contract, the Academy pays 1.5% of its foundation revenues to the Sponsor. In fiscal year 2010, the School’s compensation to the Sponsor was \$26,978.

15. MANAGEMENT COMPANY AGREEMENT

In October 2004, the Academy contracted with Concepts Schools, Inc. to serve as the Academy's management company. The contract is renewed automatically every year in one year terms unless the Academy or the management company decides otherwise. According to the contract, the Academy transfers 12% of the funds received from the State. In fiscal year 2010, this amounted to \$233,581, of this amount \$19,772 was forgiven by Concept Schools, and is reflected in the statement of revenues, expenses and change in net assets as donated management fee.

16. RELATED PARTIES

The Board members for the Academy are also Board members for other Horizon Science Academy Schools that are managed by the same management company, Concept Schools. One of the Board members owns a restaurant and the Academy has purchased non contractual food services from this restaurant in the amount of \$5,240 during fiscal year 2010.

Horizon Science Academy of Toledo
 Lucas County
 Schedule of Federal Awards Receipts and Expenditures
 For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture				
<i>Passed through Ohio Department of Education</i>				
<i>Nutrition Cluster:</i>				
National School Lunch Program	3L60	10.555	\$ 62,701	\$ 62,701
School Breakfast Program	3L70	10.553	14,148	14,148
Total Nutrition Cluster			<u>76,849</u>	<u>76,849</u>
Total United States Department of Agriculture			76,849	76,849
United States Department of Education				
<i>Passed through Horizon Science Academy Columbus</i>				
Foreign Language Assistance Program	N/A	84.293	40,276	60,249
<i>Passed through Ohio Department of Education</i>				
<i>Title I, Part A Cluster:</i>				
Title I Grants to Local Educational Agencies	3M00	84.010	225,682	235,227
Title I Grants to Local Educational Agencies, ARRA	3DK0	84.389	122,778	122,778
Total Title I, Part A Cluster			<u>348,460</u>	<u>358,005</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States	3M20	84.027	48,723	47,469
Special Education - Grants to States, ARRA	3DJ0	84.391	46,773	46,773
Total Special Education Cluster			<u>95,496</u>	<u>94,242</u>
<i>Safe and Drug-Free Schools and Communities -</i>				
State Grants	3D10	84.186	4,088	2,187
State Grants for Innovative Programs	3M10	84.298	216	-
Education Technology State Grants	3S20	84.318	3,154	2,206
Improving Teacher Quality State Grants	3Y60	84.367	10,104	12,552
State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA	GRF	84.394	123,375	58,627
Total United States Department of Education			<u>625,169</u>	<u>588,068</u>
Total Federal Financial Assistance			<u>\$ 702,018</u>	<u>\$ 664,917</u>

NA = Pass through entity number could not be located
 See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

Horizon Science Academy of Toledo
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



**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 Toledo
425 Jefferson Avenue
Toledo, Ohio 43604

We have audited the financial statements of the business-type activities of the Horizon Science Academy of Toledo, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

Members of the Board

Horizon Science Academy of Toledo

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

Page 2

We intend this report for the information and use of management, Members of the Board, the Community School's sponsor, federal awarding agencies, pass-through entities, and others within the Academy. 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.

March 18, 2011



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

Members of the Board
Horizon Science Academy of Toledo
425 Jefferson Avenue
Toledo, Ohio 43604

Compliance

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

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

In our opinion, the Horizon Science Academy of Toledo complied, in all material respects, with the requirements referred to above that could directly and materially affect the major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

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

Members of the Board

Horizon Science Academy of Toledo

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

Page 2

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

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

We intend this report solely for the information and use of management, Members of the Board, the Community School's sponsor, federal awarding agencies, pass-through entities, and others within the Academy. It is not intended for anyone 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.

March 18, 2011

Horizon Science Academy of Toledo
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2010

Summary of Auditor's Results

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title I Cluster: Title I - CFDA #84.010 Title I (ARRA) – CFDA #84.389
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

HORIZON SCIENCE ACADEMY OF TOLEDO

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2011**