



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Directors
Horizon Science Academy Dayton Downtown
121 South Monmouth St
Dayton, Ohio 45403

We have reviewed the *Independent Auditor's Report* of the Horizon Science Academy Dayton Downtown, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 Dayton Downtown is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 26, 2013

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HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
YEAR ENDED JUNE 30, 2012

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board
Horizon Science Academy Dayton Downtown
Montgomery County
121 South Monmouth Street
Dayton, Ohio 45403

We have audited the accompanying financial statements of the business-type activities of the Horizon Science Academy Dayton Downtown, Montgomery County, Ohio, (the School), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Horizon Science Academy Dayton Downtown, Montgomery County, Ohio, as of June 30, 2012, and the change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
December 10, 2012

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(unaudited)**

The discussion and analysis of Horizon Science Academy Dayton Downtown's (the School) financial performance provides an overall review of the financial activities for the School's second fiscal year ended June 30, 2012. 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 2012 are as follows:

- Total net assets increased by \$80,006 from \$68,110 to \$148,116
- The School had total operating revenues of \$ 1,337,245
- The School had total operating expenses of \$1,802,945
- The liabilities decreased by \$98,976
- The School received Federal and State Grants of \$545,706

The School started its education in August 2010 with 140 students in grades K through 6. The School completed its second year with an enrollment of 175 and started its third year with 229 students in grades K-8. The School had a very successful second year by increasing its enrollment and academic achievement and strengthened its financial standing by recording a net gain of \$80,006. In fiscal year 2012, the School received its second phase of Public Charter School Program (PCSP) start-up grant in the sum of \$225,000. The School used \$118,440 of this amount in purchasing capital assets such as school furniture and electronic equipment.

Using this Financial Report:

This annual report consists of three parts; Management's Discussion and Analysis, the Financial Statements and Notes to the Financial Statements. The Financial Statements part includes a *Statement of Net Assets*, a *Statement of Revenues, Expenses and Change in Net Assets* and a *Statement of Cash Flows*.

These statements report the School's *net assets* and changes to those assets. This change is important because it tells the reader whether the *financial position* of the School has improved or diminished during the fiscal year. The cause of this change may be 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 *Statement of Net Assets and Statement of Revenues, Expenses and Change in Net Assets* reflect how *the School* performed financially *during the fiscal year*. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting method used by most private-sector companies. This basis of accounting includes all the current year revenues and expenses regardless of when cash is received or paid. These statements can be found on pages 7 and 8 of this report.

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(unaudited)**

The *Statement of Cash Flows* provides information about how the School financed and met the cash flow needs for its operations during the fiscal year. The School uses enterprise presentation for all its activities. The *Statement of Cash Flows* can be found on pages 9 and 10 of this report.

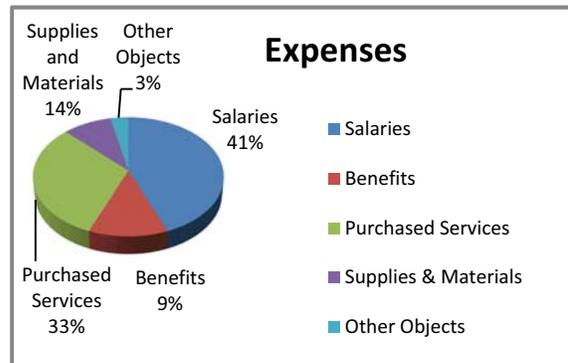
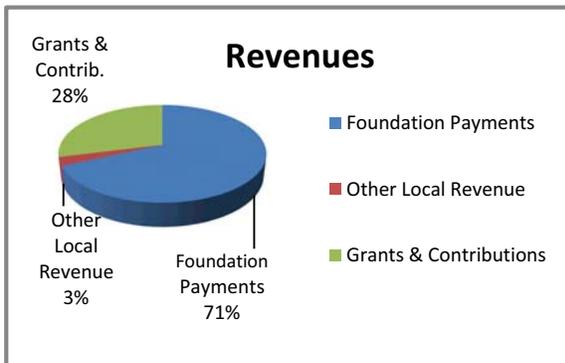
The following table provides a comparison of the School’s Net Assets in fiscal years 2012 and 2011.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Assets		
Cash	\$ 1,153	\$ 45,949
Other Current Assets	53,832	102,519
Capital Assets	359,145	284,452
Total Assets	\$ 414,130	\$ 432,920
Liabilities		
Current Liabilities	\$ 266,014	\$ 364,810
Total Liabilities	266,014	364,810
Net Assets	\$ 148,116	\$ 68,110

Other current assets include Intergovernmental Receivables from the State due to Federal Grants, and a \$10,000 deposit to the land lord for the lease agreement. During its first year, the School received a \$140,000 loan for its start-up expenses and improvements to be done on the facility. At the end of the fiscal year the balance of the loan was \$105,000. The School’s cash reserve decreased significantly; however, its liabilities also decreased by 27%. Capital assets also increased by 26%.

The Statement of Revenues, Expenses and Changes in Net Assets:

The *Statement of Revenues, Expenses and Change in Net Assets* shows the operating and non-operating activities took place during the fiscal year. The following charts are a summary of the School’s Revenues and Expenses for the fiscal year ended June 30, 2012.



**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(unaudited)**

The following table is a summary of the Statement of *Revenues, Expenses and Change in Net Assets* for the fiscal years 2012 and 2011.

	June 30, 2012	June 30, 2011
<u>Operational Income/Expense</u>		
Income		
Foundation Payments	\$ 1,284,061	\$ 945,948
Other Local Revenue	53,184	25,349
Total Operational Income	1,337,245	971,297
Expense		
Salaries	770,572	580,411
Benefits	216,604	160,996
Purchased Services	551,417	408,437
Supplies & Materials	160,611	181,815
Other Objects	58,098	31,846
Depreciation Expense	45,643	34,709
Total Operational Expense	1,802,945	1,398,214
Net Operational Income	(465,700)	(426,917)
<u>Non-Operational Income/Expense</u>		
Federal Grants	542,626	495,027
State Grants	3,080	-
Net Non-Operational Income	545,706	495,027
<u>Net Assets</u>		
Change in Net Assets	80,006	68,110
Net Assets at Beginning of Year	68,110	-
Net Assets at End of Year	\$ 148,116	\$ 68,110

In its second academic year, the School enrolled around 175 students and employed 24 staff members. Foundation revenues increased by 36% due to the increase in enrollment. Salaries and other expenditures also increased significantly. Federal grants also increased by 10%. Considering the School's enrollment trend, the School's management company, Concept Schools agreed to waive all management fees for the fiscal year, which totaled \$144,219 for the year.

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(unaudited)**

Capital Assets:

As of June 30, 2012, the School had \$359,145 invested in capital assets such as school furniture, office equipment, improvements, and computers net of depreciation. The following table is a summary of Capital Assets as of June 30, 2012.

Capital Assets					
	Beginning July 1, 2011	Additions	Deletions	Ending June 30, 2012	
Instructional Furniture & Equipment	\$ 118,787	\$ 118,440	\$ -	\$ 237,227	
Office Furniture & Equipment	58,948	1,896	-	60,844	
Improvements	141,426	-	-	141,426	
Total Fixed Assets	319,161	120,336	-	439,497	
Less: Accumulated Depreciation	(34,709)	(45,643)	-	(80,352)	
Net Fixed Assets	\$ 284,452	\$ 74,693	\$ -	\$ 359,145	

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 the School's Treasurer, Ryan Uysaler, by mail at Concept Schools South Ohio Regional Office, 2356 Morse Rd. Columbus, OH 43235 or by phone at 614- 428 7656.

HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY

Statement of Net Assets
As of June 30, 2012

	<u>June 30, 2012</u>
ASSETS	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,153
Intergovernmental Receivable	43,832
Lease Security Deposit	<u>10,000</u>
Total Current Assets	54,985
 <u>Non-Current Assets</u>	
Capital Assets (Net of Accumulated Depreciation)	<u>359,145</u>
 Total Assets	 <u>\$ 414,130</u>
 LIABILITIES & EQUITY	
<u>Current Liabilities</u>	
Accounts Payable	\$ 61,096
Accrued Wages	51,276
Payroll Liabilities	36,515
Intergovernmental Payable	12,127
Note Payable to Concept Schools	<u>105,000</u>
Total Current Liabilities	266,014
 Total Liabilities	 <u>266,014</u>
 NET ASSETS	
Investment in Capital Assets, Net of Related Debt	351,225
Unrestricted	<u>(203,109)</u>
Total Net Assets	<u>\$ 148,116</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY

**Statement of Revenues, Expenses
and Change in Net Assets
For the Fiscal Year Ended June 30, 2012**

<u>Operational Income/Expense</u>	
Income	
Foundation Payments	\$ 1,284,061
Other Local Revenue	53,184
Total Operational Income	<u>1,337,245</u>
Expense	
Salaries	770,572
Benefits	216,604
Purchased Services	551,417
Supplies & Materials	160,611
Other Objects	58,098
Depreciation Expense	45,643
Total Operational Expense	<u>1,802,945</u>
Net Operational Loss	<u>(465,700)</u>
<u>Non-Operational Income/Expense</u>	
Federal Grants	542,626
State Grants	3,080
Net Non-Operational Income	<u>545,706</u>
<u>Net Assets</u>	
Change in Net Assets	80,006
Net Assets at Beginning of Year	<u>68,110</u>
Net Assets at End of Year	<u>\$ 148,116</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

**Statement of Cash Flows
For Fiscal Year Ended June 30, 2012**

	<u>June 30, 2012</u>
Cash Flows from Operating Activities	
Cash Received from State of Ohio	\$ 1,296,188
Cash Received from Other Operating Revenues	53,184
Cash Payments to Suppliers for Goods and Services	(785,962)
Cash Payments to Employees for Services	(770,475)
Cash Payments for Employee Benefits	(201,610)
Other Cash Payments	(58,098)
Net Cash Used for Operating Activities	<u>(466,773)</u>
Cash Flows from Noncapital Financial Activities	
Grants Received from Federal Government	591,313
Grants Received from State	3,080
Loan Payments to Concept Schools	(35,000)
Loan Payments to HSA- Dayton	(25,000)
Net Cash Provided by Noncapital Financial Activities	<u>534,393</u>
Cash Flows from Capital and Related Activities	
Payments for Capital Acquisitions	(112,416)
Net Cash Used for Capital and Related Activities	<u>(112,416)</u>
Net Decrease in Cash and Cash Equivalents	(44,796)
Cash and Cash Equivalents at Beginning of Year	<u>45,949</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,153</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY

Statement of Cash Flows
For Fiscal Year Ended June 30, 2012
(Continued)

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

Operating Loss	\$ (465,700)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	45,643
Changes in Assets and Liabilities	
Decrease in Accounts Payable	(73,934)
Increase in Intergovernmental Payable	12,127
Increase in Accrued Wages	97
Increase in Payroll Liabilities	14,994
Total Adjustments	<u>(1,073)</u>
Net Cash Used for Operating Activities	<u><u>\$ (466,773)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Horizon Science Academy Dayton Downtown (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through 7 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 Buckeye Community Hope Foundation (the Sponsor) for a period of five years commencing on July 1, 2010.

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 fiscal year 2012 the School employed 22 personnel for up to 175 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 Change 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, change in net assets, financial position, and cash flows.

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
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. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Change in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the School finances 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 traditional public schools 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 and Cash Equivalents

To improve cash management, all cash received by the School is pooled in a central bank account. Total cash amount at the end of the fiscal year is presented as "Cash" in the Statement of Net Assets. Any investment with an original maturity date less than 90 days is considered a cash equivalent and any investment with an original maturity greater than 90 days is considered an investment. The School did not have any investments during fiscal year 2012.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$1,000 for inventory assets and \$10,000 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. All capital assets are depreciated. Furniture, computers, office equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives. Improvements to capital assets are depreciated using straight-line method 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 DOWNTOWN
MONTGOMERY COUNTY**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets and Depreciation (Continued)

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

F. Intergovernmental Revenues

In fiscal year 2012, the School participated in the State Foundation Program, Special Education Program, and the Parity Aid Program which are reflected under "Foundation Payments". Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amounts awarded under these programs for fiscal year 2012 totaled \$1,284,061.

Grants from State and Federal Governments and donations are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the school must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis. Amounts awarded under these programs in fiscal year 2012 totaled \$545,706.

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

The School's 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 employees are awarded \$125 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, 2012 the School did not have any restricted net assets.

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
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, 2012, the carrying balance of the School's bank account at Chase Bank was \$1,153 and the bank balance was \$26,372. The bank balance was insured by FDIC up to \$250,000. The School had no investments at June 30, 2012 or at any time during the fiscal.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

Capital Assets				
	Beginning July 1, 2011	Additions	Deletions	Ending June 30, 2012
Instructional Furniture & Equipment	\$ 118,787	\$ 118,440	\$ -	\$ 237,227
Office Furniture & Equipment	58,948	1,896	-	60,844
Improvements	141,426	-	-	141,426
Total Fixed Assets	319,161	120,336	-	439,497
Less: Accumulated Depreciation	(34,709)	(45,643)	-	(80,352)
Net Fixed Assets	\$ 284,452	\$ 74,693	\$ -	\$ 359,145

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

5. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School's required contributions to STRS Ohio were \$100,548 for the fiscal year ended June 30, 2012, and \$60,842 for the fiscal year ended June 30, 2011. For fiscal year 2012, 90 percent has been contributed. The full amount has been contributed for fiscal year 2011.

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description – The School participates in the School Employees Retirement System (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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012 and 2011 were \$6,175 and \$3,494, respectively. For fiscal year 2012, 30 percent has been contributed. The full amount has been contributed for fiscal year 2011.

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. As of June 30, 2012, no members of the Board of Education have elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

6. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The School participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

6. POSTEMPLOYMENT BENEFITS (Continued)

A. State Teachers Retirement System (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2012, and 2011 were \$7,182 and \$5,065 respectively. For fiscal year 2012, 90 percent has been contributed. The full amount has been contributed for fiscal year 2011.

B. School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple-employer defined benefit other postemployment 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation 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 fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School paid \$587 in surcharge.

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, 2012 and 2011 were \$243 and \$423, respectively. For fiscal year 2012, 30 percent has been contributed. The full amount has been contributed for fiscal year 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012 and 2011 were \$331 and \$225 respectively. For fiscal year 2012, 30 percent has been contributed. The full amount has been contributed for fiscal year 2011.

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

7. RISK MANAGEMENT

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 2012 the School contracted with Selective 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. The School did not make any claims in the fiscal year.

The School also 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. The School paid 100% of its premiums for the fiscal year ended June 30, 2012.

8. 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.

9. PURCHASED SERVICES

A summary of the purchased service expenses during fiscal year 2012 were as follows:

Purchased Services	
Type	Amount
Instructional Services	\$ 58,847
Rent and Property Services	209,472
Advertising and Communications	58,939
Pupil Transportation	69,539
Contracted Food Services	86,771
Professional Development	22,488
Other Professional Technical Services	45,361
Total	\$ 551,417

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

10. OPERATING LEASES

In April 2011, the School signed a contract with MDN of Dayton, LLC for eight years. For fiscal year 2012, the School’s monthly rent was \$10,417 with an annual increase of 3%. In fiscal year 2012, the School paid a total rent of \$131,664 including property taxes, per the contract. Required lease payments for the following three years will be as follows:

Fiscal Year Ending June 30,	Facility Lease
2013	\$ 128,754
2014	132,617
2015	136,595
2016	140,693
2017	144,914
2018-2019	303,000
Total minimum lease payments	\$ 986,573

11. CONTINGENCIES

A. Auditor of State Review

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

In fiscal year 2012, the School received Federal and State grants totaling \$545,706. The expenditure 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 for the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2012.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. According to the FTE review made for fiscal year 2012, the School was overpaid by \$12,127. This amount is included under Intergovernmental Payables in the Statement of Net Assets.

13. NOTES PAYABLES

In July 2010, the School received an interest free loan of \$140,000 from Concept Schools, Inc., its management company, in order to pay for the start-up expenses and improvement of the facility. The balance of the loan at the end of fiscal year 2012 was \$105,000. The School plans to pay the remaining balance by the end of the fiscal year 2013. Also, in fiscal year 2011, the School borrowed \$75,000 from Horizon Science Academy Dayton, its sister school, in order to provide cash for its operational costs. The remaining balance of \$25,000 was paid in full during fiscal year 2012.

**HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN
MONTGOMERY COUNTY**

14. SPONSORSHIP AGREEMENT

On May 19, 2010, the School signed a sponsorship agreement with Buckeye Community Hope Foundation (the Sponsor) for five years until June 30, 2015. 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. According to the contract, the School pays 3% of its foundation revenues to the Sponsor. In fiscal year 2012, the School's compensation to the Sponsor was \$39,289.

15. MANAGEMENT COMPANY AGREEMENT

School contracted with Concepts Schools, Inc. on June 2, 2010 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. Due to the financial position of the School at the beginning of fiscal year 2012, Concept Schools agreed to not charge the School a management fee for fiscal year 2012.

Horizon Science Academy Dayton Downtown
Montgomery County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
United States Department of Agriculture				
<i>Passed through Ohio Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
National School Lunch Program	3L60	10.555	\$ 67,488	\$ 67,488
School Breakfast Program	3L70	10.553	27,489	27,489
Total Child Nutrition Cluster			94,977	94,977
Fresh Fruit and Vegetable Program	3L60	10.582	6,446	6,446
Total United States Department of Agriculture			101,423	101,423
United States Department of Education				
<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	133,251	144,919
Total Title I, Part A Cluster			133,251	144,919
<i>Special Education Cluster:</i>				
Special Education - Grants to States	3M20	84.027	41,875	31,637
Total Special Education Cluster			41,875	31,637
<i>Educational Technology State Grants Cluster</i>				
Educational Technology State Grants	3S20	84.318	240	1,012
Total Educational Technology State Grants Cluster			240	1,012
English Language Acquisition State Grants	3Y70	84.365	-	3,724
Improving Teacher Quality State Grants	3Y60	84.367	2,536	2,099
Charter Schools	3T40	84.282	225,000	191,204
Education Jobs Fund	3ET0	84.410	52,827	52,827
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	1,400	1,400
Total United States Department of Education			457,129	428,822
Total Federal Financial Assistance			\$ 558,552	\$ 530,245

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

Horizon Science Academy Dayton Downtown
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School'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.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the School to contribute non-federal funds (matching funds) to support the federally-funded programs. The School has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



Balestra, Harr & Scherer, CPAs, Inc.

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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 Dayton Downtown
Montgomery County
121 South Monmouth Street
Dayton, Ohio 45403

We have audited the financial statements of the business-type activities of Horizon Science Academy Dayton Downtown, Montgomery County, Ohio, (the School), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
December 10, 2012



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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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 Dayton Downtown
Montgomery County
121 South Monmouth Street
Dayton, Ohio 45403

Compliance

We have audited the compliance of Horizon Science Academy Dayton Downtown, Montgomery County, Ohio (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Horizon Science Academy Dayton Downtown's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

Our compliance audit followed 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*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with these requirements.

In our opinion, Horizon Science Academy Dayton Downtown complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with 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 School's internal control over compliance.

Horizon Science Academy Dayton Downtown
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 to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
December 10, 2012

**Horizon Science Academy Dayton Downtown
Montgomery County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010 Charter Schools – CFDA #84.282
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Horizon Science Academy Dayton Downtown
Montgomery County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012**

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

**Horizon Science Academy Dayton Downtown
Montgomery County, Ohio**

**Schedule of Prior Audit Findings
June 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Findings for Recovery/Significant Deficiency/Noncompliance – Overpayment of wages	Yes	

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Dave Yost • Auditor of State

HORIZON SCIENCE ACADEMY DAYTON DOWNTOWN

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 12, 2013**