

***HAMILTON COUNTY MATHAMATICS AND
SCIENCE ACADEMY***

HAMILTON COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

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



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Hamilton County Mathematics and Science Academy, Hamilton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 18, 2010

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**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY
Audit Report
For the Year Ending June 30, 2009**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Hamilton County Mathematics and Science Academy (the Academy) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hamilton County Mathematics and Science Academy as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 27, 2010 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
May 27, 2010

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

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

The discussion and analysis of the Hamilton County Mathematics and Science Academy's, Hamilton County, Ohio (the Academy), financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- In total, net assets decreased \$89,741 (from Table 1). The decrease was due to the sale of the building and paying off the mortgage.
- Total assets decreased \$908,002 (from Table 1), which represents a 57.6 percent decrease from 2008. The decrease was from the sale of the building and land.
- Liabilities decreased \$818,261 (from Table 1), which represents a 85.7 percent decrease from 2009. This decrease was mainly due to the reduction in debt.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

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

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

Statement of Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer the question, "How did we do financially during 2009" These statements include all assets, liabilities, revenues and expenses, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2009 and fiscal year 2008:

(Table 1)

Net Assets

	2009	2008
Assets		
Current Assets	\$ 285,504	\$ 388,363
Capital Assets, Net	181,596	1,086,739
Deposits	202,530	102,530
Total Assets	669,630	1,577,632
Liabilities		
Current Liabilities	98,210	17,049
Non-Current Liabilities	38,256	937,678
Total Liabilities	136,466	954,727
Net Assets		
Invested in Capital Assets	143,340	149,061
Unrestricted	390,824	473,844
Total Net Assets	\$ 533,164	\$ 622,905

Total assets decreased by \$908,002. This decrease was primarily due to the sale of the building and land. Cash decreased by \$107,008 from 2008. Deposits increased \$100,000 due to an additional deposit on the purchase option for the new building. See note 13 to the financial statements.

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

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

Table 2 shows the changes in net assets for fiscal year 2009 and fiscal year 2008, as well as a listing of revenues and expenses.

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Foundation payments	\$ 2,603,176	\$ 2,407,077
State special education program	101,206	105,623
Miscellaneous	166,989	78,271
Total Operating Revenues	<u>2,871,371</u>	<u>2,590,971</u>
Operating Expenses		
Salaries	1,496,578	1,152,245
Fringe Benefits	376,277	374,757
Purchased Services	843,754	481,482
Supplies and materials	80,305	294,212
Depreciation	50,232	58,117
Other	1,202	1,416
Total Operating Expenses	<u>2,848,348</u>	<u>2,362,229</u>
Operating Income	<u>23,023</u>	<u>228,742</u>
Non-Operating Revenue and Expense		
Federal & State Grants	224,178	216,465
Gain/(Loss) on Disposal of Assets	(274,505)	(2,171)
Interest Expense	(62,437)	(66,429)
Total Non-Operating Revenues	<u>(112,764)</u>	<u>147,865</u>
Change in Net Assets	(89,741)	376,607
Net Assets Beginning of Year	<u>622,905</u>	<u>246,298</u>
Net Assets End of Year	<u>\$ 533,164</u>	<u>\$ 622,905</u>

Net asset change from 2008 to 2009, was driven by the loss on disposal of the building and land and increased operating expenses. Operating expenses increased proportionately higher than the increase in Foundation Payments.

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

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

Capital Assets

At the end of fiscal year 2009 the Academy had \$181,596 invested in Leasehold Improvements and Furniture and Equipment, which represented a decrease of \$905,143 from 2008. Table 3 shows fiscal year 2009 and fiscal year 2008:

(Table 3)

**Capital Assets at June 30, 2009
(Net of Depreciation)**

	2009	2008
Land	\$ -	\$ 25,000
Building	-	974,507
Leasehold Improvements	16,208	-
Furniture, Fixtures, and Equipment	165,388	87,232
Total	\$181,596	\$1,086,739

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

Debt – Notes Payable

At June 30, 2009, the Academy had \$38,256 in debt outstanding, of which \$15,162 is due within one year. Table 4 summarizes outstanding notes.

(Table 4)

	2009	2008
Debt Note due with one year	\$ 15,162	\$ 59,133
Debt Note due in more than one year	23,094	878,545
Total	\$ 38,256	\$ 937,678

On August 15, 2004 a building and land at 7601 Harrison Avenue, Cincinnati, Ohio were purchased for \$1,000,000. The contract required payments of \$8,604 including interest at 7% with a balloon payment due June 2008. This agreement was refinanced in August 2006 with US Bank with a note that matures in 15 years at a rate of 7.1%. The Academy moved from this building in 2007 and sold it and the land in July 2008 for \$725,000 and paid off the mortgage.

Contacting the Academy’s Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy’s finances and to show the Academy’s accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Larry Lash at the Hamilton County Mathematics and Science Academy, 2675 Civic Center Drive, Cincinnati, Ohio 45231.

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

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

	2009
Assets	
<u>Current Assets</u>	
Cash	\$ 281,355
Intergovernmental Receivable	4,149
Total Current Assets	285,504
<u>Non-Current Assets</u>	
Depreciable Capital Assets (Net of Accumulated Depreciation)	181,596
Deposits	202,530
Total Non-Current Assets	384,126
Total Assets	\$ 669,630
 Liabilities	
<u>Current Liabilities</u>	
Account Payable	\$ 29,065
Accrued Benefits	42,145
Intergovernmental Payable	27,000
Total Current Liabilities	98,210
<u>Non-Current Liabilities</u>	
Capital Lease Due in One Year	15,162
Capital Lease Due in More Than One Year	23,094
Total Non-Current Liabilities	38,256
Total Liabilities	136,466
 Net Assets	
Invested in Capital Assets, Net of Related Debt	143,340
Unrestricted	390,824
Total Net Assets	\$ 533,164

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

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

	2009
Operating Revenues	
Foundation payments	\$ 2,603,176
State special education program	101,206
Miscellaneous	166,989
Total Operating Revenues	2,871,371
Operating Expenses	
Salaries	1,496,578
Fringe Benefits	376,277
Purchased Services	843,754
Supplies and materials	80,305
Depreciation	50,232
Other	1,202
Total Operating Expenses	2,848,348
Operating Income	23,023
Non-Operating Revenue and Expense	
Federal & State Grants	224,178
Gain/(Loss) on Disposal of Assets	(274,505)
Interest Expense	(62,437)
Total Non-Operating Revenues	(112,764)
Change in Net Assets	(89,741)
Net Assets Beginning of Year	622,905
Net Assets End of Year	\$ 533,164

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

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

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	2009
Increase (Decrease) in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from State	\$ 2,700,233
Cash Received from Charges for Services & Other Receipts	166,989
Cash Payments to Employees for Services	(1,471,482)
Cash Payments for Employee Benefits	(349,277)
Cash Payment to Suppliers for Goods and Services	(896,196)
Net Cash Used for Operating Activities	150,267
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Grants Received	224,178
Net Cash from Noncapital Financing Activities	224,178
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Cash Payments for Capital Acquisitions	(105,509)
Deposit on Building-Civic Center	(100,000)
Cash Outlay on Sale of Building-Harrison Avenue	(247,321)
Capital Lease Payments Including Interest	(20,018)
Payment of Mortgage Including Interest	(8,605)
Net Cash from Capital and Related Financing Activities	(481,453)
Net decrease in cash and cash equivalents	(107,008)
Cash and cash equivalents at beginning of year	388,363
Cash and cash equivalents at end of year	\$ 281,355

Reconciliation of Operating loss to Net Cash

Used for Operating Activities:

Operating Income	\$ 23,023
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Adjustments to Reconcile Operating Income (loss) to Net

Cash Provided by Operating Activities:

Depreciation	50,232
Changes in Assets and Liabilities:	
(Increase) in Intergovernmental Receivable	(4,149)
Increase in Accounts Payable	29,065
Increase in Payroll Liabilities	25,096
Increase in Intergovernmental Payable	27,000
Total Adjustments	127,244
Net cash used by operating activities	\$ 150,267

Non Cash Transactions:

- 1) The mortgage on the property at 7601 Harrison Avenue to US Bank for \$882,255 was paid by the buyer at closing.
- 2) Acquisition of instructional equipment of \$39,088 was financed by the seller.

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

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

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Hamilton County Mathematics and Science Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through grade six. The Academy, which is part of the State's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2001. However, the Ohio State Board of Education subsequently decided to suspend its sponsorship of community schools and the Academy obtained Lucas County Educational Service Center as its sponsor. They were replaced by Educational Resource Consultants of Ohio Inc. as its sponsor in January 2006.

The Academy operates under the direction of a five-member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by 26 full-time teaching personnel who provided services to 413 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor, Educational Resource Consultants of Ohio, Inc., does not prescribe a formal budgetary process for the Academy; therefore no budgetary information is presented in the financial statements.

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

E. Cash

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash. Total cash is presented as "cash" on the accompanying statement of net assets.

F. Capital Assets and Depreciation

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and Equipment	5 years
Building	40 years
Building Improvements	15 years

G. Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operation expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

I. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The Academy received no capital contributions during fiscal year 2009.

J. Estimates

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

3. DEPOSITS

At fiscal year end, the carrying amount of the Academy's deposits was \$281,355 and the bank balance was \$393,519. Of the bank balance, \$250,000 was covered by federal depository insurance and \$143,519 was uncollateralized.

The Academy had a deposit of \$2,530 for a property owned by Hilltop Methodist Church as of June 30, 2009. The Academy entered into a lease agreement for their current facility at 2675 Civic Drive, Cincinnati, Ohio with the Hamilton County Board of County Commissioners and made a nonrefundable deposit of \$200,000 towards the purchase of the building (\$100,000 in FY 08 and \$100,000 in FY 09).

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

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

4. CAPITAL ASSETS

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

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
Business-Type Activity				
Capital Assets Not Being Depreciated				
Land	\$ 25,000	\$ -	\$ 25,000	\$ -
Capital Assets Being Depreciated				
Building	990,949	-	990,949	-
Building Improvements	103,318	-	103,318	-
Leasehold Improvements	-	17,366		17,366
Furniture, Fixtures, and Equipment	127,047	127,230	-	254,277
Total Capital Assets Being Depreciated	1,221,314	144,596	1,094,267	271,643
Less Accumulated Depreciation:				
Building	99,096	-	99,096	-
Building Improvements	20,664	-	20,664	-
Leasehold Improvements	-	1,158	-	1,158
Furniture, Fixtures, and Equipment	39,815	49,074	-	88,889
Total Accumulated Depreciation	159,575	50,232	119,760	90,047
Total Capital Assets Being Depreciated, Net	1,061,739	94,364	974,507	181,596
Business-Type Activity Capital Assets, Net	\$1,086,739	\$94,364	\$999,507	\$181,596

On August 15, 2004 a building and land at 7601 Harrison Avenue, Cincinnati, Ohio were purchased for \$1,000,000. The contract required payments of \$8,604 including interest at 7% with a balloon payment due June 2008. This agreement was refinanced in August 2006 with US Bank with a note that matures in 15 years at a rate of 7.1%. The Academy moved from this building in 2007 and sold it and the land in July 2008 for \$725,000.

5. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the Academy contracted with a commercial carrier for general liability, rental/theft, and directors and officers' liability insurance.

There has been no significant change in insurance coverage from last year. Settled claims have not exceeded commercial coverage in either of the past two years.

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

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

5. RISK MANAGEMENT (Continued)

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.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (614) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$63,076, \$80,655, and \$68,271, respectively; 100% has been contributed for all years.

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

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

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

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time, irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2009, 2008, and 2007 was \$137,868, \$173,000, and \$120,837, respectively; 100 percent has been contributed for all years.

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

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

7. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

A. State Teachers Retirement System of Ohio

STRS retirees who participate in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2009, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contribution for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$9,788, \$12,283 and \$12,631 respectively.

B. School Employees Retirement Pension

SERS offers two cost-sharing multiple employer defined benefit OPEB plans for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009 this amount was \$35,800. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2009 fiscal year equaled \$26,491.

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

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

8. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from polices and procedures approved by the Board of Trustees. Administrators and classified staff earn up to ten days of vacation per year, depending upon the position, scheduled hours, and length of service.

Each full-time employee receives three personal days per calendar year. Personal days not used at the end of the calendar year are lost.

Each full-time employee can earn sick leave up to a maximum of 15 days.

B. Insurance Benefits

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

9. CAPITAL LEASE – LESSEE DISCLOSURE

During the fiscal year 2004 the Academy entered into a 60 month lease agreement with Advantage Office Systems, financed through Wells Fargo for the acquisition of a copier machine. The terms of the Agreement provide options to purchase the equipment. Payments are \$270 per month with interest at 6%. The lease expired in 2009.

During the fiscal year 2008, the Academy refinanced an existing lease agreement with First Federal Leasing and included additional purchases of playground equipment into a 60 month lease agreement with First Federal Leasing. The terms of the Agreement provide options to purchase the equipment. Payments are \$1,420 per month with interest at 6%.

These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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

<u>Year Ending</u>	<u>Amount</u>
June 30, 2010	\$17,045
June 30, 2011	17,045
June 30, 2012	<u>7,102</u>
Total minimum lease payments	41,192
Less: Amount representing imputed interest cost	<u>(2,936)</u>
Present value of minimum lease payments	<u><u>\$55,423</u></u>

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

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

10. NON-CURRENT LIABILITIES

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

Obligations	Principal Outstanding 6/30/08	Additions	Principal Payments	Principal Outstanding 6/30/09	Amounts Due in One Year	Amounts Due in More Than One Year
Capital Lease – Equipment	\$52,237	-	\$14,281	\$ 38,256	\$15,162	\$ 23,094
Capital Lease – Copier	2,886	-	2,886	-	-	-
Mortgage Loan- US Bank	882,255	-	882,255	-	-	-
Total	<u>\$937,678</u>	<u>-</u>	<u>\$899,422</u>	<u>\$38,256</u>	<u>\$15,162</u>	<u>\$23,094</u>

11. CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The Academy does not anticipate any material adjustments to state funding for fiscal year 2009 as a result of such review.

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

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

12. PURCHASED SERVICES

For the year ended June 30, 2009, the purchased service expenses were comprised of the following:

Professional & Technical	\$ 123,746
Staff Development	2,181
Management Services	98,502
Food Service	162,382
Legal Services	26,522
Communications	28,285
Postage & Printing	1,168
Pupil Transportation	13,441
Tax, Accounting and Auditing Services	55,951
Repair & Maintenance	103,617
Property Insurance	20,069
School Site Lease	117,323
Gas & Electricity	54,750
Water & Sewer	13,602
Membership Dues	1,204
Bank Fees	366
Miscellaneous	11,485
Advertising	9,160
Total Purchased Services	<u><u>\$ 843,754</u></u>

13. SUBSEQUENT EVENT

In August 2007 the Academy entered into a lease agreement for a building located at 2675 Civic Drive, Cincinnati, Ohio. The lease required payments of \$7,266 per month through February 2009 with an option to purchase the facility for \$1,800,000 anytime during the term of the lease. The term was extended to April 2010. The Academy paid a \$200,000 nonrefundable deposit towards the purchase of the building (\$100,000 in FY 08 and \$100,000 in FY 09). The Academy purchased the building in March 2010 for \$1,800,000 through PNC Bank with a 60 month note at 6% containing a balloon payment in March 2015.

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

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

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

To the Board of Directors:

We have audited the financial statements of the Hamilton County Mathematics and Science Academy (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated May 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-HCMSA-01 described in the accompanying Schedule of Findings to be a material weakness.

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 grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2009-HCMSA-01.

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

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

Charles E. Harris and Associates, Inc.

May 27, 2010

HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2009

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

Finding Number: 2009-HCMSA-01

Material Weakness/Material Noncompliance-Financial Statements not Properly Stated

Ohio Administrative Code 117-2-01 requires community schools to design a system of internal control to provide reasonable assurance as to the reliability of financial reporting. Contrary to this requirement, there were transactions which were incorrectly recorded/ not recorded on the books of the Academy:

- 1) Accrued expenses in the amount of \$48,000 were not recorded.
- 2) Payroll in the amount of \$84,000 was incorrectly recorded.

These recording errors resulted in financial statements which did not accurately reflect the activity of the Academy. Accordingly, the management of the Academy did not have the information necessary to make informed decisions regarding the Academy's financial matters.

These errors were caused in part because the Academy did not have a treasurer for a significant portion of the fiscal year.

The financial statements have been adjusted to reflect the proper accounting treatment of these transactions.

Management Response:

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

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-HCMSA-01	Annual report not filed timely	Yes	
2008-HCMSA-02	Bank reconciliations not performed monthly	Yes	

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

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Hamilton County Mathematics and Science Academy
Hamilton County
2675 Civic Center Drive
Cincinnati, Ohio 45231

To the Board of Directors:

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

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

1. We noted that the Board adopted an anti-harassment policy on August 17,2005;
2. We read the policy, noting it included the following requirements for Ohio Revised Code Section 3313.666 (B):
 - (1) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (2) A statement prohibiting harassment, intimidation, or bullying of any students on school property or at school-sponsored events;
 - (3) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (4) A procedure for reporting prohibited incidents;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident to be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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

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

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

Charles E. Harris & Associates, Inc.

May 27, 2010



Mary Taylor, CPA
Auditor of State

HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2010**