



Dave Yost • Auditor of State



HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of Hamilton County Mathematics & Science Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamilton County Mathematics and Science Academy, Hamilton County, Ohio, as of June 30, 2011, and the changes in financial position and its 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 March 27, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

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We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule 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 federal awards receipts and expenditures schedule 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 27, 2012

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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, 2011. 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 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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- Total net assets decreased \$94,785 (from Table 1) in fiscal year 2011, which represent a 34% decrease from the prior year.
- Total assets decreased \$151,270 (from Table 1), which represents a 7% decrease from the prior year. The decrease in assets is primarily due to depreciation on capital assets and a decrease in current assets.
- Operating loss for fiscal year 2011 (\$566,715) which is \$141,898 less than FY 2010.

**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.

**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 2011" 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.

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

Table 1 provides a summary of the Academy's net assets for fiscal year 2011 compared with fiscal year 2010:

(Table 1)

| <b>Net Assets</b>          |                   |             |
|----------------------------|-------------------|-------------|
|                            | <b>2011</b>       | <b>2010</b> |
| <b>Assets</b>              |                   |             |
| Current Assets             | <b>\$ 35,893</b>  | \$ 112,842  |
| Capital Assets, Net        | <b>2,046,816</b>  | 2,117,880   |
| Deposits                   | -                 | 3,257       |
| Total Assets               | <b>2,082,709</b>  | 2,233,979   |
| <b>Liabilities</b>         |                   |             |
| Current Liabilities        | <b>511,480</b>    | 475,463     |
| Non-Current Liabilities    | <b>1,387,103</b>  | 1,479,606   |
| Total Liabilities          | <b>1,898,583</b>  | 1,955,069   |
| <b>Net Assets</b>          |                   |             |
| Invested in Capital Assets | <b>568,500</b>    | 528,446     |
| Unrestricted               | <b>(384,374)</b>  | (249,535)   |
| Total Net Assets           | <b>\$ 184,126</b> | \$ 278,911  |

Total assets decreased by \$151,270. This decrease was primarily due to depreciation of capital assets and a reduction in current assets due to cash requirements for long term debt, specifically the mortgage on the purchase of the building and land. Also, liabilities decreased \$56,486 due to the increased note payments on the financing of the building and improvements. These note payments reduced debt by 7.5 percent. Current liabilities increased slightly, specifically accounts payable.

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

Table 2 shows the changes in net assets for fiscal year 2011 and fiscal year 2010, as well as a listing of revenues and expenses.

|  | <u>2011</u>              | <u>2010</u>              |
|--|--------------------------|--------------------------|
| <b>Operating Revenues</b>                |                          |                          |
| Foundation payments                      | \$ 2,382,134             | \$ 2,593,033             |
| State special education program          | 141,172                  | 109,796                  |
| Miscellaneous                            | 79,425                   | 52,630                   |
| Total Operating Revenues                 | <u>2,602,730</u>         | <u>2,755,459</u>         |
| <b>Operating Expenses</b>                |                          |                          |
| Salaries                                 | 1,744,924                | 1,942,034                |
| Fringe Benefits                          | 435,800                  | 410,937                  |
| Purchased Services                       | 648,613                  | 723,418                  |
| Supplies and materials                   | 144,961                  | 291,191                  |
| Depreciation                             | 112,284                  | 85,713                   |
| Other                                    | 82,862                   | 10,779                   |
| Total Operating Expenses                 | <u>3,169,445</u>         | <u>3,464,072</u>         |
| Operating Loss                           | (566,715)                | (708,613)                |
| <b>Non-Operating Revenue and Expense</b> |                          |                          |
| Federal & State Grants                   | 572,172                  | 479,446                  |
| Interest Expense                         | (100,242)                | (25,086)                 |
| Total Non-Operating Revenues             | <u>471,930</u>           | <u>454,360</u>           |
| Change in Net Assets                     | (94,785)                 | <b>(254,253)</b>         |
| Net Assets Beginning of Year             | <u>278,911</u>           | <u>533,164</u>           |
| Net Assets End of Year                   | <u><b>\$ 184,126</b></u> | <u><b>\$ 278,911</b></u> |

Operating revenues decreased \$152,729 and non-operating revenues from federal and state grants increased by \$92,726. The decrease was primarily the result of a reduction in foundation payment revenues from the prior year.

Total operating expenses of the Academy reported for fiscal year 2011 decreased by \$294,627 compared to those reported for the previous fiscal year. The decreases in expenses were due to the Academy's management implementing more effective and efficient cost saving measures.

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**Capital Assets**

At the end of fiscal year 2011 the Academy had \$2,046,816 invested in Buildings, Land and Furniture and Equipment, which represented a decrease of \$71,064 from 2010. Table 3 shows fiscal year 2011 and fiscal year 2010:

(Table 3)

**Capital Assets at June 30, 2011  
(Net of Depreciation)**

|                       | 2011        | 2010        |
|-----------------------|-------------|-------------|
| Land                  | \$ 180,000  | \$ 180,000  |
| Building              | 1,561,740   | 1,602,839   |
| Building Improvements | 190,147     | 163,430     |
| Equipment             | 114,929     | 171,611     |
| Total                 | \$2,046,816 | \$2,117,880 |

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

**Debt – Notes Payable**

At June 30, 2011, the Academy had \$1,478,316 in debt outstanding, of which \$91,213 is due within one year. Table 4 summarizes outstanding notes.

(Table 4)

|                                     | 2011         | 2010         |
|-------------------------------------|--------------|--------------|
| Debt Note due with one year         | \$ 91,213    | \$ 109,829   |
| Debt Note due in more than one year | 1,387,103    | 1,479,606    |
| Total                               | \$ 1,478,316 | \$ 1,589,435 |

The Academy purchased the building (located at 2675 Civic Center Drive, Cincinnati, Ohio) in March 2010 for \$1,800,000 through PNC Bank with a \$1,440,000 mortgage, 60 month note at 6% containing a balloon payment in March 2015.

For more information on debt see Note 10 to the Basic Financial Statements.

**Contacting the Academy's Financial Management**

This financial report is designed to provide a general overview of the Hamilton County Mathematics and Science Academy finances and to show the Academy's accountability for the money it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or request for additional financial information should be directed to Hamilton County Mathematics and Science Academy, 2675 Civic Center Drive, Cincinnati, Ohio 445231.

**Hamilton County Mathematics and Science Academy**  
**Statement of Net Assets**  
**as of June 30, 2011**

|  | <b>2011</b>  |
|--|--------------|
| <b>Assets</b>  |              |
| <u>Current Assets</u>  |              |
| Cash and Cash Equivalents                                    | \$ 12,409    |
| Intergovernmental Receivable                                 | 23,484       |
| Total Current Assets   | 35,893       |
| <u>Non-Current Assets</u>                                    |              |
| Land   | 180,000      |
| Depreciable Capital Assets (Net of Accumulated Depreciation) | 1,866,816    |
| Deposits/Prepaid Expenses                                    | -            |
| Total Non-Current Assets                                     | 2,046,816    |
| Total Assets   | \$ 2,082,709 |
| <br><b>Liabilities</b>                                       |              |
| <u>Current Liabilities</u>                                   |              |
| Account Payable  | \$ 204,893   |
| Accrued Benefits   | 196,548      |
| Intergovernmental Payable                                    | 18,826       |
| Current Portion of LT Debt (Due in One Year)                 | 91,213       |
| Total Current Liabilities                                    | 511,480      |
| <u>Non-Current Liabilities</u>                               |              |
| LT Debt Due in More than One Year                            | 1,387,103    |
| Total Non-Current Liabilities                                | 1,387,103    |
| Total Liabilities  | 1,898,583    |
| <br><b>Net Assets</b>  |              |
| Invested in Capital Assets, Net of Related Debt              | 568,500      |
| Unrestricted (Deficit)                                       | (384,374)    |
| Total Net Assets   | \$ 184,126   |
| Total Net Assets and Liabilities                             | \$ 2,082,709 |

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

**Hamilton County Mathematics and Science Academy**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**for the Fiscal Year Ended June 30, 2011**

|  | <b>2011</b>  |
|--|--------------|
| <b>Operating Revenues</b>                |              |
| Foundation payments                      | \$ 2,382,134 |
| State special education program          | 141,172      |
| Miscellaneous                            | 79,425       |
| Total Operating Revenues                 | 2,602,730    |
| <b>Operating Expenses</b>                |              |
| Salaries                                 | 1,744,924    |
| Fringe Benefits                          | 435,800      |
| Purchased Services                       | 648,613      |
| Supplies and materials                   | 144,961      |
| Depreciation                             | 112,284      |
| Other                                    | 82,862       |
| Total Operating Expenses                 | 3,169,445    |
| Operating Loss                           | (566,715)    |
| <b>Non-Operating Revenue and Expense</b> |              |
| Federal & State Grants                   | 572,172      |
| Interest Expense                         | (100,242)    |
| Total Non-Operating Revenues             | 471,930      |
| Change in Net Assets                     | (94,785)     |
| Net Assets Beginning of Year             | 278,911      |
| Net Assets End of Year                   | \$ 184,126   |

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

**Hamilton County Mathematics and Science Academy  
Statement of Cash Flow  
for the Fiscal Year Ended June 30, 2011**

|  | <b>2011</b>  |
|--|--------------|
| <b>Increase (Decreases) in Cash and Cash Equivalents:</b>  |              |
| <b><u>Cash Flows from Operating Activities:</u></b>  |              |
| Cash Received from State   | \$ 2,523,305 |
| Cash Received from Charges for Services & Other Receipts   | 79,425       |
| Cash Payments to Employees for Services  | (1,744,924)  |
| Cash Payments for Employee Benefits  | (435,800)    |
| Cash Payment to Suppliers for Goods and Services   | (793,574)    |
|  | (371,568)    |
| <b><u>Cash Flows from Noncapital Financing Activities:</u></b>   |              |
| Deposits   |              |
| Grants Received  | 572,172      |
| Net Cash from Noncapital Financing Activities  | 572,172      |
| <b><u>Cash Flows from Capital and Related Financing Activities:</u></b>  |              |
| Payments for Capital Acquisitions  | (41,222)     |
| Capital Lease Payments Including Interest  | (87,569)     |
| Mortgage Payments including Interest   | (123,800)    |
| Net Cash from Capital and Related Financing Activities   | (252,591)    |
| Net decrease in cash and cash equivalents:   | (51,987)     |
| Cash and cash equivalents at beginning of year   | 64,396       |
| Cash and cash equivalents at end of year   | \$ 12,409    |
| <b>Reconciliation of Operating loss to Net Cash<br/>Used for Operating Activities:</b>                           |              |
| Operating Loss   | \$ (566,715) |
| <b><u>Adjustments to Reconcile Operating Income (loss) to Net<br/>Cash Provided by Operating Activities:</u></b> |              |
| Depreciation   | 112,284      |
| Changes in Assets and Liabilities:   |              |
| (Increase)/Decrease in Prepaid Expenses  | 3,260        |
| (Increase)Decrease in Intergovernmental Receivable   | 24,961       |
| Increase/(Decrease) in Accounts Payable  | 123,502      |
| Increase/(Decrease) in Payroll Liabilities   | (26,694)     |
| Increase/(Decrease) in Intergovernmental Payable   | (42,166)     |
| Total Adjustments  | 195,147      |
| Net cash used by operating activities  | \$ (371,568) |

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 eight. 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 for the school year beginning July 1, 2005. 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 Trustees (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 Trustees controls the Academy's one instructional/support facility staffed by 30 full-time teaching personnel who provided services to 438 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. The more significant of the Academy's accounting policies are described below.

**A. Basis of Presentation**

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**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 transaction, in which the Academy receives value without directly giving equal value in return, includes 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.

**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, the 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.

**E. Cash and Cash Equivalents**

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 |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**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.

**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 2011.

**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 \$12,409 and the bank balance was \$57,075. Of the bank balance, all \$57,075 was covered by federal depository insurance and \$0 was uncollateralized.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011:

|  | Balance<br>06/30/10 | Additions       | Deletions | Balance<br>06/30/11 |
|--|---------------------|-----------------|-----------|---------------------|
| <b>Business-Type Activity</b>                  |                     |                 |           |                     |
| Capital Assets Not Being Depreciated           |                     |                 |           |                     |
| Land   | \$ 180,000          | -               |           | \$ 180,000          |
| Capital Assets Being Depreciated               |                     |                 |           |                     |
| Building                                       | 1,643,937           | -               |           | 1,643,937           |
| Building Improvements                          | 176,344             | 41,222          |           | 217,566             |
| Equipment                                      | 293,359             | -               | -         | 293,359             |
| Total Capital Assets Being Depreciated         | <u>2,113,640</u>    | <u>41,222</u>   | <u>-</u>  | <u>2,154,862</u>    |
| Less Accumulated Depreciation:                 |                     |                 |           |                     |
| Building                                       | 41,098              | 41,098          |           | 82,196              |
| Building Improvements                          | 12,914              | 14,504          |           | 27,418              |
| Equipment                                      | 121,748             | 56,681          |           | 178,429             |
| Total Accumulated Depreciation                 | <u>175,760</u>      | <u>112,283</u>  | <u>-</u>  | <u>288,043</u>      |
| Total Capital Assets Being Depreciated,<br>Net | <u>1,937,880</u>    | <u>(71,061)</u> | <u>-</u>  | <u>1,866,819</u>    |
| Business-Type Activity Capital Assets,<br>Net  | <u>\$2,117,880</u>  | <u>(71,061)</u> | <u>-</u>  | <u>\$2,046,819</u>  |

The Academy purchased the building (located at 2675 Civic Center Drive, Cincinnati, Ohio) in March 2010 for \$1,800,000 through PNC Bank with a \$1,440,000 mortgage, 60 month note at 6% containing a balloon payment in March 2015.

**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 2011, the Academy contracted with a commercial carrier for general liability, rental/theft, and directors' and officers' liability insurance.

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

**B. Workers Compensation**

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**6. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**Funding Policy**

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds.

The Academy's contributions to SERS for the year ended June 30, 2011, 2010 and 2009 was \$67,332, \$65,027 and \$63,076, 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, or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plan options. In addition to the a Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. DC and Combined Plan members will transfer to the DB plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

The DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefits" calculation. Under the formula benefit the retirement allowance is based on years of credited service and final average salary, which is the average of the members' three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchase credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5% with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100% of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5%. Under the money-purchase benefit, members' lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount.

The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. Benefits are established under Section 3307.80 to 3307.89 of the Ohio Revised Code. A member is eligible to receive retirement benefit at age 50 and termination of employment.

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the member's account balance.

The Combined Plan offers features of both the DC Plan and the DB Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Plan members' defined benefit is determined by multiplying 1% of the members' final average salary by the members' years of service credit. The defined benefit portion of the Combined Plan is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

For fiscal year ended June 30, 2010 (most recent information available) members were required to contribute 10% of their annual covered salary and the Academy was required to contribute 14%. Member and employer contributions were established by the State Teacher Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14% contributed by the Academy, 13% was the portion used to fund pension obligations. The amounts contributed by the Academy for fiscal years ended June 30, 2011, 2010, and 2009 were \$228,408, \$177,925, and \$137,868 respectively. 100% has been contributed for all years.

**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**

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

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

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The Academy's contributions for health care for fiscal year ended June 30, 2011 was \$12,482.

**B. School Employees Retirement Pension**

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

The Medicare Part B Plan reimburse Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**7. POSTEMPLOYMENT BENEFITS (Continued)**

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is 0.76%. The Academy's contribution for the year ended June 30, 2011 was \$3,775, which equaled the required contributions.

**Health Care Plan**

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue code 105(e). Each year, after the allocation for statutorily required benefits, the Retirement Board allocated the remainder of the employer's 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employee earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS- covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the year ended June 30, 2011 was \$7,104.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**8. EMPLOYEE BENEFITS**

**i. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from policies 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, schedule 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.

**ii. 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 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%.

During the fiscal year 2010 the Academy entered into two 36 month lease agreement with Apple Financial Services, for the acquisition of computer equipment. The terms of the Agreement provide options to purchase the equipment. Payments are \$1,928 and \$1,405 per month with interest at 16.73%. The leases expire in 2013.

During the fiscal year 2010 the Academy entered into a 36 month and a 18 month lease agreements with Phillips Supply Company, for the acquisition of scrubbers. The terms of the Agreement provide options to purchase the equipment. Payments are \$214 and \$400 per month respectively. The leases expire in 2013 and 2012 respectively.

During the fiscal year 2010 the Academy entered into a 60 month lease agreement with Sonitrol of SW Ohio, for the acquisition of a security system. The terms of the Agreement provide options to purchase the equipment. Payments are \$300 per month with interest at 16.12%. The leases expire in 2015.

During the fiscal year 2010 the Academy entered into a 24 month lease agreement with Satellite Shelters, Inc, for the acquisition of two modular doublewide classrooms. The terms of the Agreement provide options to purchase the equipment. Payments are \$1,750 per month with interest at 15.76%. The leases expire in 2012.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

| Year Ending   | Amount    |
|---|-----------|
| June 30, 2012                                       | 61,753    |
| June 30, 2013                                       | 32,394    |
| June 30, 2014                                       | 3,597     |
| June 30, 2015                                       | 3,298     |
| Total minimum lease payments                        | 101,042   |
| Less: Amounts representing<br>imputed interest cost | ( 1,030)  |
| Present value of minimum<br>lease payments          | \$100,012 |

**10. NON-CURRENT LIABILITIES**

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

| Obligations                  | Principal<br>Outstanding<br>6/30/10 | Additions | Principal<br>Payments | Principal<br>Outstanding<br>6/30/11 | Amounts<br>Due<br>in One Year | Amounts Due<br>in<br>More Than<br>One<br>Year |
|------------------------------|-------------------------------------|-----------|-----------------------|-------------------------------------|-------------------------------|---|
| Mortgage Loan - US<br>Bank   | 1,433,752                           | -         | 38,823                | 1,394,929                           | 41,217                        | 1,353,712                                     |
| Capital Lease - Apple (1)    | 36,062                              | -         | 11,692                | 24,370                              | 13,806                        | 10,564  |
| Capital Lease - Apple (2)    | 49,495                              | -         | 16,047                | 33,448                              | 18,948                        | 14,500  |
| Capital Lease - Security     | 12,161                              | -         | 1,764                 | 10,397                              | 2,070                         | 8,327   |
| Capital Lease - Scrubber (1) | 5,058                               | -         | 5,058                 | -                                   | -                             | -   |
| Capital Lease - Scrubber (2) | 4,063                               | -         | 4,063                 | -                                   | -                             | -   |
| Capital Lease - Modulares    | 25,750                              | -         | 17,575                | 8,175                               | 8,175                         | -   |
| Capital Lease - Playground   | 23,094                              | -         | 16,097                | 6,997                               | 6,997                         | -   |
| Total                        | 1,589,435                           | -         | 111,119               | 1,478,316                           | 91,213                        | 1,387,103                                     |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

**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 2011 as a result of such review.

**12. PURCHASED SERVICES**

For the year ended June 30, 2011, the purchased service expenses were comprised of the following:

|                                       |            |
|---------------------------------------|------------|
| Professional & Technical              | \$ 169,439 |
| Staff Development                     | 2,962      |
| Management Services                   | 119,311    |
| Food Service                          | 133,253    |
| Legal Services                        | 5,997      |
| Communications                        | 23,896     |
| Postage & Printing                    | 1,441      |
| Pupil Transportation                  | 12,639     |
| Tax, Accounting and Auditing Services | 16,150     |
| Repair & Maintenance                  | 80,076     |
| Rentals/Leases                        | 9,144      |
| Gas & Electricity                     | 61,068     |
| Water & Sewer                         | 8,174      |
| Miscellaneous                         | 239        |
| Advertising                           | 4,824      |

|                          |                          |
|--------------------------|--------------------------|
| Total Purchased Services | <u><u>\$ 648,613</u></u> |
|--------------------------|--------------------------|

**13. SUBSEQUENT EVENTS**

There are no subsequent events to report.

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**Hamilton County Math & Science Academy**

**Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2011**

| <b>Federal Grants/<br/>Pass Through Grantor<br/>Program Title</b>           | <b>Federal<br/>CFDA<br/>Number</b> | <b>Receipts</b>   | <b>Disbursements</b> |
|---|------------------------------------|-------------------|----------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                       |                                    |                   |                      |
| Passed Through Ohio Department of Education:                                |                                    |                   |                      |
| Nutrition Cluster:  |                                    |                   |                      |
| National School Breakfast Program   | 10.553                             | \$ 20,809         | \$ 20,809            |
| National School Lunch Program   | 10.555                             | 101,387           | 101,387              |
| Total Nutrition Cluster   |                                    | <u>122,196</u>    | <u>122,196</u>       |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                                    |                   |                      |
| Passed Through Ohio Department of Education:                                |                                    |                   |                      |
| Title I Cluster:  |                                    |                   |                      |
| Title I Grants to Local Educational Agencies                                | 84.010                             | 165,727           | 165,727              |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act           | 84.389                             | 65,637            | 65,351               |
| Total Title I Cluster   |                                    | <u>231,364</u>    | <u>231,078</u>       |
| Special Education Cluster:  |                                    |                   |                      |
| Special Education Grants to States  | 84.027                             | 105,691           | 85,888               |
| ARRA - Special Education Grants to States, Recovery Act                     | 84.391                             | 55,283            | 50,920               |
| Total Special Education Cluster   |                                    | <u>160,974</u>    | <u>136,808</u>       |
| Safe & Drug Free Schools & Communities                                      | 84.186                             | 790               | -                    |
| Education Jobs  | 84.410                             | 137,105           | 137,105              |
| Education Technology  | 84.318                             | 1,378             | 552                  |
| Improving Teacher Quality   | 84.367                             | 15,567            | 10,171               |
| ARRA - State Fiscal Stabilization Fund-Education State Grants, Recovery Act | 84.394                             | 192,629           | 192,629              |
| Total U.S. Department of Education  |                                    | <u>739,807</u>    | <u>708,343</u>       |
| <b>Total Federal Awards</b>   |                                    | <u>\$ 862,003</u> | <u>\$ 830,539</u>    |

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Hamilton County Mathematics and Science Academy (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE C - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.



# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited the basic financial statements of Hamilton County Mathematics and Science Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 27, 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 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.

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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

Hamilton County Mathematics and Science Academy  
Hamilton County  
Independent Accountants' Report on Internal Controls Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 27, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 27, 2012



# Dave Yost • Auditor of State

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

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

To the Board of Directors:

### Compliance

We have audited the compliance of Hamilton County Mathematics and Science Academy, Hamilton County, Ohio (the Academy), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Hamilton County Mathematics and Science Academy's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy'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 Academy'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 Academy's compliance with these requirements.

As described in findings 2011-01 and 2011-02 in the accompanying schedule of findings, the Academy did not comply with requirements regarding reporting applicable to its ARRA Title I major federal program and also did not comply with requirements regarding cash management applicable to its State Fiscal Stabilization Fund major federal program. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Hamilton County Mathematics and Science Academy 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, 2011.

### Internal Control Over Compliance

The Academy'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 Academy's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2011-01 and 2011-02 to be material weaknesses.

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

We intend this report solely for the information and use of management, Board of Directors, 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.



**Dave Yost**  
Auditor of State

March 27, 2012

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |   |
|---------------------|---|---|
| <i>(d)(1)(i)</i>    | <b>Type of Financial Statement Opinion</b>  | Unqualified   |
| <i>(d)(1)(ii)</i>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | No  |
| <i>(d)(1)(ii)</i>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <i>(d)(1)(iii)</i>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No  |
| <i>(d)(1)(iv)</i>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                       | Yes   |
| <i>(d)(1)(iv)</i>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <i>(d)(1)(v)</i>    | <b>Type of Major Programs' Compliance Opinion</b>   | Qualified – Title I Cluster and State Fiscal Stabilization Fund                                   |
| <i>(d)(1)(vi)</i>   | <b>Are there any reportable findings under § .510(a)?</b>   | Yes   |
| <i>(d)(1)(vii)</i>  | <b>Major Programs (list):</b>   | State Fiscal Stabilization Fund – CFDA # 84.394<br><br>Title I Cluster – CFDA #84.010 and #84.389 |
| <i>(d)(1)(viii)</i> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others  |
| <i>(d)(1)(ix)</i>   | <b>Low Risk Auditee?</b>  | No  |

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

**1. Noncompliance / Material Weakness – Reporting**

|                                    |                              |
|------------------------------------|------------------------------|
| <b>Finding Number</b>              | 2011-02                      |
| <b>CFDA Title and Number</b>       | Title I - ARRA; #84.389      |
| <b>Federal Award Number / Year</b> | 2011                         |
| <b>Federal Agency</b>              | US Department of Education   |
| <b>Pass-Through Agency</b>         | Ohio Department of Education |

**The American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c)** require any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512 (c) (4)** requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The **Ohio Department of Education’s American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported. Districts must report applicable vendor payments in the quarter the payment occurred, and in subsequent quarters thereafter, for the life of the ARRA award.

During FY 2011, no vendors were reported for the Academy. Vendors are required to be reported in the quarter the payment occurred and in subsequent quarters thereafter for the life of the ARRA award, so a vendor should have been reported for the second quarter of 2011 since they were paid \$41,222 on 11/29/10 from Title I ARRA monies.

The District should report all vendors receiving single payments of \$25,000 on the ODE 1512 ARRA Subrecipient Vendor report in the quarter the payment occurred and in subsequent quarters thereafter for the life of the ARRA award. Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding.

**Officials’ Response:**

HCMSA will develop procedures that will ensure that all future ARRA payment of \$25,000 or more to any vendor(s) will be properly reported in accordance with federal reporting guidelines.

**2. Noncompliance / Material Weakness – Cash Management**

|                                    |  |
|------------------------------------|--|
| <b>Finding Number</b>              | 2011-03                                  |
| <b>CFDA Title and Number</b>       | State Fiscal Stabilization Fund; #84.394 |
| <b>Federal Award Number / Year</b> | 2011                                     |
| <b>Federal Agency</b>              | US Department of Education               |
| <b>Pass-Through Agency</b>         | Ohio Department of Education             |

**2 CFR Section 215.22(a)** indicates payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205. In addition, 34 CFR 80.20 (b)(7) indicates in part “When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.” Interest should not be earned on these funds. If interest is earned on the funds, the interest earned must be remitted to the U.S. Department of Education via a check sent to ODE. ODE will review the calculation and determine if the amount remitted is correct. An amount of \$100 per entity per year may be retained under 34 CFR 80.21 for administrative expenses.

SFSF payments were advanced to the Academy through the State Foundation Program. Foundation payments were automatically sent to the Academy on a monthly basis. Between July and October 2010, the Academy accumulated a positive cash balance in the SFSF Fund as expenditures were not made within the prescribed time period. \$49,106 in SFSF receipts out of a total of \$192,629 were not spent within 30 days. Between July and October 2010, the approximate number of days the monies were spent, ranged from 34 to 64 days. As a result of the excess cash on hand, an estimate of \$111 of interest was earned on the State Fiscal Stabilization Fund during the year.

The failure to spend federal grant funds in a timely manner could result in the Academy being required to return funding to the grantor agency. The loss of federal grant money could also negatively impact the operations of the Academy. The Academy should implement internal control procedures to ensure that the balances of federal grant funds are spent within the prescribed time periods.

We recommend the Academy monitor SFSF receipts and available cash fund balances to ensure SFSF advances are spent timely and within the prescribed time periods. In addition, if more than \$100 of interest is earned on federal funds, the Academy should ensure the excess interest is remitted to the U.S. Department of Education as required.

**Officials’ Response:**

HCMSA will develop procedures that will ensure that all future SFSF advance receipts are recorded and spent within the prescribed time periods.

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HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY  
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2010-001       | The Academy lacks a capital asset system as well as capital asset procedures and policies. | Yes              |  |

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2011**

| Finding Number | Planned Corrective Action   | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2011-01        | HCMSA will develop procedures that will ensure that all future ARRA payment of \$25,000 or more to any vendor(s) will be properly reported in accordance with federal reporting guidelines. | 03/27/12                    | Larry Lash.<br>Treasurer   |
| 2011-02        | HCMSA will develop procedures that will ensure that all future SFSF advance receipts are recorded and spent within the prescribed time periods.   | 03/27/12                    | Larry Lash.<br>Treasurer   |

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# Dave Yost • Auditor of State

HAMILTON COUNTY MATH 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  
APRIL 17, 2012