KING ACADEMY
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

KING ACADEMY
HAMILTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

King Academy
Hamilton County
224 West Liberty Street
Cincinnati, Ohio 45202

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of King Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of King Academy, Hamilton County, Ohio, as of June 30, 2018, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Keith Faber
Ohio Auditor of State

Columbus, Ohio

July 22, 2019

KING ACADEMY
HAMILTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The management's discussion and analysis of the King Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position was a deficit balance of $1,138,883 at June 30, 2018.

- The Academy had operating revenues of $979,127 and operating expenses of $959,075 for fiscal year 2018. The Academy also received $278,498 in federal grants and $70,320 in contributions and donations revenue during fiscal year 2018.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2018?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in those assets. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

The table below provides a summary of the Academy's net position for fiscal year 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.

Net Position

	2018	Restated 2017
Assets		
Current assets	$ 133,346	$ 265,431
Non-current assets	134,113	161,500
Total assets	267,459	426,931
Deferred outflows of resources	646,056	349,236
Liabilities		
Current liabilities	45,415	153,332
Non-current liabilities	1,822,885	2,039,000
Total liabilities	1,868,300	2,192,332
Deferred inflows of resources	184,098	91,588
Net Position		
Investment in capital assets	134,113	161,500
Restricted	170,753	120,298
Unrestricted (deficit)	(1,443,749)	(1,789,551)
Total net position (deficit)	$ (1,138,883)	$ (1,507,753)

For fiscal year 2018, the Academy adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.

2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Academy is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit of $1,151,428 to $1,507,753.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the Academy's net position was a deficit balance of $1,138,883.

The table below provides a comparative analysis of the changes in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.

Change in Net Position

	2018	Restated 2017
Operating revenues:		
State foundation	$ 958,402	$ 1,004,372
Other operating revenues	20,725	16,002
Total operating revenue	979,127	1,020,374
Operating expenses:		
Salaries	732,460	734,691
Fringe benefits	(293,441)	215,451
Purchased services	305,473	307,323
Materials and supplies	180,472	191,638
Depreciation	28,328	38,116
Other	5,783	32,856
Total operating expenses	959,075	1,520,075
Non-operating revenues:		
Operating grants	278,498	379,711
Other sources	70,320	13,145
Total non-operating revenues	348,818	392,856
Change in net position	368,870	(106,845)
Net position at beginning of year (restated)	(1,507,753)	N/A
Net position at end of year	$ (1,138,883)	$ (1,507,753)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available.

The Academy's business-type activities consist of enterprise activity. Community schools receive no support from tax levies.

The reason for the decrease in operating expenses has to do with the negative pension expense and negative OPEB expense reported in the fringe benefits line item.

Foundation revenue decreased because of a decrease in enrollment for fiscal year 2018.

Capital Assets

At the end of fiscal year 2018, the Academy had $134,113 invested in leasehold improvements, furniture and equipment, and computers. The table below shows capital asset balances for fiscal years 2018 and 2017:

Capital Assets at June 30
(Net of Depreciation)

	2018	2017
Leasehold improvements	$ 88,773	$ 98,825
Furniture and equipment	12,041	14,565
Computers	33,299	48,110
Total	$ 134,113	$ 161,500

See Note 9 for details on the Academy's capital assets.

Long-Term Obligations

The Academy also reports a net pension liability of $1,429,673 and a net OPEB liability of $393,212. See Note 8 for details.

Current Financial Related Activities

During the 2017-2018 school year, there were an average of 133 students enrolled in the Academy. The Academy relies on the State Foundation as well as other State and Federal grants to provide the monies necessary to operate the Academy.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors 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 financial information contact Jeff Foster, Treasurer, 224 West Liberty Street, Cincinnati, Ohio 45202 or email at jfoster@skodaminotti.com.

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KING ACADEMY
HAMILTON COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:	
Current assets:	
Equity in pooled cash	
and cash equivalents	$ 52,616
Receivables:	
Intergovernmental	80,730
Total current assets	133,346
Non-current assets:	
Depreciable capital assets, net	134,113
Total assets	267,459
Deferred outflows of resources:	
Pension	557,560
OPEB	88,496
Total deferred outflows of resources	646,056
Liabilities:	
Current liabilities:	
Accounts payable	45,155
Intergovernmental payable	260
Total current liabilities	45,415
Non-current liabilities:	
Net pension liability	1,429,673
Net OPEB liability	393,212
Total non-current liabilities	1,822,885
Total liabilities	1,868,300
Deferred inflows of resources:	
Pension	135,979
OPEB	48,119
Total deferred inflows of resources	184,098
Net position:	
Investment in capital assets	134,113
Restricted for:	
Restricted for food service	142,533
Restricted for locally funded programs	28,220
Unrestricted (deficit)	(1,443,749)
Total net position	$ (1,138,883)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

KING ACADEMY
HAMILTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenues:	
Foundation revenue	$ 958,402
Other	20,725
Total operating revenues	979,127
Operating expenses:	
Salaries and wages	732,460
Fringe benefits	(293,441)
Purchased services	305,473
Materials and supplies	180,472
Depreciation	28,328
Other	5,783
Total operating expenses	959,075
Operating income	20,052
Non-operating revenues:	
Operating grants - federal	278,498
Contributions and donations	70,320
Total nonoperating revenues	348,818
Change in net position	368,870
Net position (deficit)	
at beginning of year (restated)	(1,507,753)
Net position (deficit) at end of year	$ (1,138,883)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

KING ACADEMY
HAMILTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Cash received from state foundation	$ 945,177
Cash received from other operations	20,725
Cash payments for salaries and wages.	(786,616)
Cash payments for fringe benefits	(158,962)
Cash payments for purchased services	(311,367)
Cash payments for materials and supplies	(188,870)
Cash payments for other expenses	(5,783)
Net cash used in operating activities	(485,696)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants.	467,846
Cash received from contributions and donations.	70,320
Cash payment for bank overdraft payable.	(1,965)
Cash received from voided check.	17,000
Net cash provided by noncapital financing activities.	553,201
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(14,889)
Net increase in cash and cash cash equivalents	52,616
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	$ 52,616
Reconciliation of operating income to net cash used in operating activities:	
Operating income	$ 20,052
Adjustments:	
Depreciation	28,328
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(4,647)
(Increase) in deferred outflows -pension	(213,037)
(Increase) in deferred outflows -OPEB	(83,783)
(Decrease) in accounts payable.	(31,070)
(Decrease) in accrued wages and benefits	(58,254)
(Decrease) in intergovernmental payable	(19,680)
(Decrease) in net pension liability.	(248,289)
Increase in net OPEB liability.	32,174
Increase in deferred inflows -pension	44,391
Increase in deferred inflows -OPEB	48,119
Net cash used in operating activities	$ (485,696)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Non-cash transactions:
At June 30, 2018, the Academy purchased $3,052 in capital assets on account.

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NOTE 1 - DESCRIPTION OF THE ACADEMY

The King Academy, Hamilton County, Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to educate the whole child: academically, physically, morally and aesthetically by stressing academic excellence, a positive attitude towards oneself and others, self-discipline and the preservation of good moral standards. The Academy is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Educational Service Center of Lake Erie West (the "Sponsor") for a period of five academic years commencing July 28, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract and its expiration or terminate the contract prior to its expiration. On July 1, 2007, the Academy changed sponsors and contracted with Educational Resource Consultants of Ohio through June 30, 2012. The contract has been renewed several times with the most recent contract renewed through June 30, 2019.

The Academy operates under the direction of a six member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 13 employees who provide services to 133 students.

The Academy is a participant in the Hamilton Clermont Cooperative (HCC), which is a jointly governed organization. See Note 16 for detail.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, all liabilities and deferred inflows of resources are included on the statement of net position. Operating statements present 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.

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

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all the eligibility requirements have been satisfied. Eligibility requirements including 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. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, see Notes 12 and 13 for deferred outflows of resources related the Academy's net pension liability and net OPEB liability, respectively.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, see Notes 12 and 13 for deferred inflows of resources related to the Academy's net pension liability and net OPEB liability.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Cash Equivalents

The Academy's Treasurer accounts for all monies received by the Academy. All cash received by the Treasurer is maintained in separate bank accounts in the Academy's name.

For the purposes of the statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The Academy maintains a capitalization threshold of $1,500. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expended when incurred.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Leasehold improvements	5 - 15 years
Computers, furniture and equipment	5 years

H. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. 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 from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

J. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Foundation revenue received by the Academy during fiscal year 2018 was $958,402.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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. Federal grants for the fiscal year 2018 received by the Academy was $278,498.

K. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

L. Estimates

The preparation of financial statements in conformity with GAAP 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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For fiscal year 2018, the Academy has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81 *"Irrevocable Split-Interest Agreements"* GASB Statement No. 85*, "Omnibus 2017"* and GASB Statement No. 86, "*Certain Debt Extinguishments*".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the Academy's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements and added required supplementary information.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Academy.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Academy.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION - (Continued)

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Academy.

A net position restatement is required in order to implement GASB Statement No 75.

	King Academy
Net position as previously reported	$ (1,151,428)
Deferred outflows - payments subsequent to measurement date	4,713
Net OPEB liability	(361,038)
Restated net position at July 1, 2017	$ (1,507,753)

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - DEPOSITS

Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all Academy deposits was $52,616. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, all of the Academy's bank balance of $93,714 was covered by the Federal Deposit Insurance Corporation.

NOTE 5 - RECEIVABLES

At June 30, 2018, receivables consisted of intergovernmental grants and entitlements. All receivables are considered collectible within one year.

	Receivable
SERS refund	$ 3,320
FTE Foundation adjustment	1,327
Title I	75,123
Title II-A	960
Total	$ 80,730

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2018, purchased services expenses were as follows:

Professional and technical services	$ 149,774
Property services & rentals	55,922
Travel mileage/meeting expense	17,747
Communications	38,971
Utilities	26,867
Contracted food services	323
Transportation	3,400
Other	12,469
Total	$ 305,473

NOTE 7 - OPERATING LEASES - LESSEE DISCLOSURE

The Academy entered into a lease with 224 W. Liberty Group LLC for sixty-two months from May 1, 2014 to May 31, 2019 with annual lease payments of $60,000 ($5,000/month). Payments made in fiscal year 2018 totaled $60,000.

The following is a schedule of the lease payments required under the operating lease as of June 30, 2018:

Fiscal Year Ending June 30,	Operating Lease
2019	$ 55,000
Total	$ 55,000

NOTE 8 - LONG-TERM OBLIGATIONS

During the fiscal year 2018, the following changes occurred in long-term obligations. The long-term obligations have been restated as described in Note 3.

	Restated Balance 06/30/17	Additions	Reductions	Balance 06/30/18	Due Within One Year
Net pension liability	$ 1,677,962	$ 155,717	$ (404,006)	$ 1,429,673	$ -
Net OPEB liability	361,038	92,789	(60,615)	393,212	-
Total long-term liabilities	$ 2,039,000	$ 248,506	$ (464,621)	$ 1,822,885	$ -

Net pension liability - See Note 12 for detail.

Net OPEB liability - See Note 13 for detail.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 06/30/17	Additions	Deductions	Balance 06/30/18
Capital assets, being depreciated:				
Leasehold improvements	$ 113,150	$ 13,100	$ (17,000)	$ 109,250
Furniture and equipment	148,880	198	-	149,078
Computers	223,772	4,643	-	228,415
Total capital assets, being depreciated	485,802	17,941	(17,000)	486,743
Less: accumulated depreciation				
Leasehold improvements	(14,325)	(6,152)	-	(20,477)
Furniture and equipment	(134,315)	(2,722)	-	(137,037)
Computers	(175,662)	(19,454)	-	(195,116)
Total accumulated depreciation	(324,302)	(28,328)	-	(352,630)
Capital assets, net	$ 161,500	$ (10,387)	$ (17,000)	$ 134,113

NOTE 10 - SPONSORSHIP

The Academy’s sponsorship contract requires three percent of all funds received from State foundation revenues to be transferred to the Educational Resource Consultants of Ohio (ERCO) for sponsorship fees. Total payments made during fiscal year 2018 were $27,871.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2018, the Academy obtained insurance through broker Foremost Insurance Group with the following insurance coverage:

Commercial general liability per occurrence	$ 2,000,000
Building limit	3,500,000
Medical expense any one person	10,000
Excess/umbrella liability per occurrence	3,000,000
Excess/umbrella liability aggregate	3,000,000
Employer's liability	1,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Coverage has not decreased from the prior year.

NOTE 11 - 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 gross total payroll by a factor that is calculated by the State.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments*.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $45,143 for fiscal year 2018.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $52,366 for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.00538700%	0.00383498%	
Proportion of the net pension liability current measurement date	0.00920530%	0.00370309%	
Change in proportionate share	0.00381830%	-0.00013189%	
Proportionate share of the net pension liability	$ 549,996	$ 879,677	$ 1,429,673
Pension expense	$ 59,727	$ (379,153)	$ (319,426)

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 23,672	$ 33,969	$ 57,641
Changes of assumptions	28,441	192,395	220,836
Difference between Academy contributions and proportionate share of contributions/ change in proportionate share	181,574	-	181,574
Academy contributions subsequent to the measurement date	45,143	52,366	97,509
Total deferred outflows of resources	$ 278,830	$ 278,730	$ 557,560

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 7,090	$ 7,090
Net difference between projected and actual earnings on pension plan investments	2,610	29,031	31,641
Difference between Academy contributions and proportionate share of contributions/ change in proportionate share	-	97,248	97,248
Total deferred inflows of resources	$ 2,610	$ 133,369	$ 135,979

$97,509 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 98,325	$ 5,262	$ 103,587
2020	97,572	45,379	142,951
2021	47,998	34,982	82,980
2022	(12,818)	7,372	(5,446)
Total	$ 231,077	$ 92,995	$ 324,072

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	$ 763,252	$ 549,996	$ 371,351

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	$ 1,260,987	$ 879,677	$ 558,480

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Academy's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which OPEB are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *due to other governments*.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the Academy's surcharge obligation was $0.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was $1,672 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.00547094%	0.00383498%	
Proportion of the net OPEB liability current measurement date	0.00926810%	0.00370309%	
Change in proportionate share	0.00379716%	-0.00013189%	
Proportionate share of the net OPEB liability	$ 248,731	$ 144,481	$ 393,212
OPEB expense	$ 43,278	$ (45,096)	$ (1,818)

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ -	$ 8,340	$ 8,340
Difference between Academy contributions and proportionate share of contributions/ change in proportionate share	78,484	-	78,484
Academy contributions subsequent to the measurement date	1,672	-	1,672
Total deferred outflows of resources	$ 80,156	$ 8,340	$ 88,496
Deferred inflows of resources			
Net difference between projected and actual earnings on OPEB plan investments	$ 657	$ 6,175	$ 6,832
Changes of assumptions	23,603	11,638	35,241
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	6,046	6,046
Total deferred inflows of resources	$ 24,260	$ 23,859	$ 48,119

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

$1,672 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 19,720	$ (3,102)	$ 16,618
2020	19,720	(3,102)	16,618
2021	14,949	(3,102)	11,847
2022	(165)	(3,101)	(3,266)
2023	-	(1,558)	(1,558)
Thereafter	-	(1,554)	(1,554)
Total	$ 54,224	$ (15,519)	$ 38,705

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Academy's proportionate share of the net OPEB liability	$ 300,375	$ 248,731	$ 207,817

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
Academy's proportionate share of the net OPEB liability	$ 201,827	$ 248,731	$ 310,810

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Academy's proportionate share of the net OPEB liability	$ 193,963	$ 144,481	$ 105,374

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability	$ 100,379	$ 144,481	$ 202,524

NOTE 14 - OTHER EMPLOYEE BENEFITS

Full-time teachers are entitled to eight days of sick leave a year. Administrative staff, including the administrative assistant, are entitle to eight days of sick leave per year. Full-time employees receive two personal days per calendar year. Part-time employees receive no personal days per calendar year. Unused personal days are forfeited.

The Academy provides life insurance to all employees through a private carrier. Coverage in the amount of $10,000 is provided to all full-time certified and non-certified employees.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Foundation Funding

Academy foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

NOTE 15 – CONTINGENCIES - (Continued)

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2018.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

In addition, the Academy's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2018 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the Academy.

C. Litigation

The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

The Academy is a participant in the Hamilton Clermont Cooperative (HCC) which is a computer consortium. HCC is an association of public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The Governing Board of HCC consists of the superintendents and/or treasurers of the participating districts. HCC is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the HCC by contacting Tom Collins, Executive Director, at 1007 Cottonwood Drive, Loveland, Ohio 45140.

NOTE 17 – SUBSEQUENT EVENT

On June 20, 2019, the Sponsor (ERCO) replaced the Board of Directors with a new Board. The new Board then terminated the former Treasurer/Director Andrea Martinez and executed a management company agreement effective July 1, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

KING ACADEMY
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Academy's proportion of the net pension liability	0.00920530%	0.00538700%	0.00435000%	0.00366500%	0.00365500%
Academy's proportionate share of the net pension liability	$ 549,996	$ 394,279	$ 248,215	$ 185,484	$ 217,351
Academy's covered payroll	$ 40,114	$ 133,550	$ 164,279	$ 123,463	$ 81,488
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	1371.08%	295.23%	151.09%	150.23%	266.73%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

KING ACADEMY
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
Academy's proportion of the net pension liability	0.00370309%	0.00383498%	0.00406639%	0.00432300%	0.00432300%
Academy's proportionate share of the net pension liability	$ 879,677	$ 1,283,683	$ 1,123,831	$ 1,051,554	$ 1,252,605
Academy's covered payroll	$ 401,100	$ 368,850	$ 424,543	$ 451,638	$ 402,854
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	219.32%	348.02%	264.72%	232.83%	310.93%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

KING ACADEMY
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 45,143	$ 5,616	$ 18,697	$ 21,652
Contributions in relation to the contractually required contribution	(45,143)	(5,616)	(18,697)	(21,652)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 322,450	$ 40,114	$ 133,550	$ 164,279
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	17,112	$	11,278	$	13,682	$	13,055	$	13,114	$	10,801
	(17,112)		(11,278)		(13,682)		(13,055)		(13,114)		(10,801)
$	-	$	-	$	-	$	-	$	-	$	-
$	123,463	$	81,488	$	101,725	$	103,858	$	96,854	$	109,766
	13.86%		13.84%		13.45%		12.57%		13.54%		9.84%

KING ACADEMY
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ 52,366	$ 56,154	$ 51,639	$ 59,436
Contributions in relation to the contractually required contribution	(52,366)	(56,154)	(51,639)	(59,436)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 374,043	$ 401,100	$ 368,850	$ 424,543
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
$ 58,713	$ 52,371	$ 69,327	$ 64,719	$ 75,283	$ 70,687
(58,713)	(52,371)	(69,327)	(64,719)	(75,283)	(70,687)
$ -	$ -	$ -	$ -	$ -	$ -
$ 451,638	$ 402,854	$ 533,285	$ 497,838	$ 579,100	$ 543,746
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

KING ACADEMY
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2018	**2017**
Academy's proportion of the net OPEB liability	0.00926810%	0.00547094%
Academy's proportionate share of the net OPEB liability	$ 248,731	$ 155,942
Academy's covered payroll	$ 40,114	$ 133,550
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	620.06%	116.77%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

KING ACADEMY
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
Academy's proportion of the net OPEB liability	0.00370309%	0.00383498%
Academy's proportionate share of the net OPEB liability	$ 144,481	$ 205,096
Academy's covered payroll	$ 401,100	$ 368,850
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.02%	55.60%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

KING ACADEMY
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ -	$ 4,713	$ 1,118	$ 1,229
Contributions in relation to the contractually required contribution	-	(4,713)	(1,118)	(1,229)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 322,450	$ 40,114	$ 133,550	$ 164,279
Contributions as a percentage of covered payroll	0.00%	11.75%	0.84%	0.75%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	1,735	$	1,231	$	2,263	$	3,131	$	2,265	$	6,403
	(1,735)		(1,231)		(2,263)		(3,131)		(2,265)		(6,403)
$	-	$	-	$	-	$	-	$	-	$	-
$	123,463	$	81,488	$	101,725	$	103,858	$	96,854	$	109,766
	1.41%		1.51%		2.22%		3.01%		2.34%		5.83%

KING ACADEMY
HAMILTON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 374,043	$ 401,100	$ 368,850	$ 424,543
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014		2013		2012		2011		2010		2009	
$	4,196	$	4,024	$	5,353	$	4,978	$	5,791	$	4,583
	(4,196)		(4,024)		(5,353)		(4,978)		(5,791)		(4,583)
$	-	$	-	$	-	$	-	$	-	$	-
$	451,638	$	402,854	$	533,285	$	497,838	$	579,100	$	543,746
	1.00%		1.00%		1.00%		1.00%		1.00%		1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:
Fiscal Year 2018: 3.56%
Fiscal Year 2017: 2.92%

Single Equivalent Interest Rate, Net of Plan Investment Expense, Including Price Inflation:
Fiscal Year 2018: 3.63%
Fiscal Year 2017: 2.98%

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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OHIO AUDITOR OF STATE
KEITH FABER

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

King Academy
Hamilton County
224 West Liberty Street
Cincinnati, Ohio 45202

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of King Academy, Hamilton County, (the Academy) as of and for the ended , and the related notes to the financial statements, which collectively comprise the 's basic financial statements and have issued our report thereon dated July 22, 2019, wherein we noted the Academy adopted Governmental Accounting Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. We consider finding 2018-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2018-003 through 2018-006 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the '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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001 and 2018-005.

Academy*'s Response to Findings*

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Ohio Auditor of State

Columbus, Ohio

July 22, 2019

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

FINDING 2018-001

Finding for Recovery/Noncompliance – Repaid Under Audit

***State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose.

According to the Academy's payroll register, the Academy issued a direct deposit payment to Crystal Paul on September 15, 2017 for $3,676 for 98.68 hours of service as the School Psychologist that was not supported by the timesheet due to not having a documented managerial review over the issuance of payroll disbursements. Ms. Paul notified the Academy she had provided an invoice for 35 hours worked on September 11, 2017 and had been overpaid. Ms. Paul subsequently resigned. Ms. Paul's time cards for August and September 2017 totaled 41.31 hours worked and supported a recalculated net pay amount of $1,539. Therefore, Ms. Paul was overpaid $2,137. Ms. Paul issued a repayment to the Academy on October 9, 2017 for $1,126 reducing the remaining overpaid amount to $1,011.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Crystal Paul, School Psychologist, in the amount of $1,011 and in favor of King Academy's General Fund.

In addition, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Steward v. National Surety Co.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex. Rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

The direct deposit issued to Ms. Paul was authorized by the former treasurer, Michael Ashmore. Michael Ashmore and his bonding company, the Cincinnati Insurance Company, are jointly and severally liable in the amount of $1,011 and in favor of King Academy's General Fund.

Mr. Ashmore issued a personal check for $1,011 to the Academy, which was deposited in the Academy's checking account. Therefore, this finding for recovery is considered repaid.

The Academy should adopt policies and procedures to strengthen internal controls over payroll disbursements by documenting a supervisory review over the semi-monthly payroll registers prior to payroll being processed by the Treasurer, and ensuring that work hours being paid are supported by approved employee timesheets.

Official's Response:

Starting July 1, 2019 the school has engaged a professional management company and a professional outsourced treasury group both of which have strong internal controls on disbursements.

FINDING 2018-002

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

The following conditions related to management controls over bank accounts and reconciliation procedures were identified:

- The Academy did not complete accurate monthly bank reconciliations for the PNC Bank operating account for 2018. The reconciliation prepared for June 2018 listed unsupported other adjusting factors totaling $41,098 and did not receive a documented supervisory review. The Treasurer presented an updated reconciliation on January 9, 2019 with a detailed listing of reconciling items that including outstanding checks and other adjusting factors. Once known factors were considered, the Academy had a reconciled balance of ($2,096) at June 30, 2018.

- The PNC Bank operating account had adjusting factors dating from July 14, 2014 through December 31, 2017 that ranged in amounts from $445.15 to ($8,052.20). The Academy needs to continue working to review and resolve these adjustments and record the funds appropriately.

- The Academy did not prepare monthly bank reconciliations for the PNC Bank payroll account for 2018. The payroll account had a balance of $11,302 at June 30, 2018.

- The Academy's Huntington National Bank account was closed during the year, but the account closure was not authorized by the Board in the minutes. The balance in the account at June 30, 2017 was $702. The Academy failed to provide the final account statement showing the closure and disposition of the account balance.

- The Academy has not implemented policies and procedures regarding online banking activities and electronic fund transactions to ensure adequate separation of duties.

Failure to reconcile monthly increases the possibility that the Academy will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

**FINDING 2018-002
(Continued)**

The Academy should implement policies and procedures for the Treasurer to record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Official's Response:

Starting July 1, 2019 the school has engaged a professional outsourced treasury group that contractually performs monthly cash reconciliations.

FINDING 2018-003

Significant Deficiency

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices, and to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. Sound payroll controls are essential to ensuring that employees properly perform their duties and are properly paid for time worked.

The following conditions related to management controls over the payroll disbursements were identified:

- Three of 29 (10%) employment contracts were not properly authorized by the signature of the Director and/or Board President. The Academy did not have a formal written policy outlining responsibility for employment contract authorizations.

- Seven of 47 (15%) recalculated gross pay amounts did not agree with the payroll ledger. The errors ranged from an overpayment of $1,436, which resulted in a finding for recovery, to an underpayment of $122. Projected error from the sample totaled $15,458.

- Six of 11 (55%) time cards for hourly employees displayed handwritten edits and were not signed by the employee and supervisor.

- According to the Academy's payroll register, the Academy issued a direct deposit payment to Crystal Paul on September 15, 2017 for $3,676 for 98.68 hours of service as the School Psychologist. Ms. Paul notified the Academy she had provided an invoice for 35 hours worked on September 11, 2017 and had been overpaid. Ms. Paul subsequently resigned. Ms. Paul's time cards for August and September 2017 totaled 41.31 hours worked and supported a recalculated net pay amount of $1,539. Therefore, Ms. Paul was overpaid $2,137. Ms. Paul issued a repayment to the Academy on October 9, 2017 for $1,126 reducing the overpaid amount to $1,011. See Finding 2018-002.

- Payroll disbursements are issued twice each month. The Academy did not have a documented supervisory review of the semi-monthly payroll registers to prevent errors from occurring that had to be corrected in subsequent periods.

FINDING 2018-003
(Continued)

- One personnel file did not contain the employee's hiring authorization, Form W-4, or Form OH-IT.

The Academy did not have procedures in place for effective monitoring of the Academy's payroll disbursements processed by the Treasurer. Failure to accurately post and maintain accurate payroll records and monitor payroll disbursements results in a lack of financial accountability, could cause employees to be paid incorrect amounts, and increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner.

To improve the internal controls over payroll disbursements we recommend that the Academy:

- Adopt a policy delineating employment contract authorizations and formally approve employee pay rates in the minutes.

- Maintain a personnel file for each employee that includes the authorized contract/salary rate, hiring authorization, and tax withholding forms.

- Require that time cards for hourly employees be signed by both the employee and their supervisor.

- Implement a documented supervisory review over the semi-monthly payroll registers prior to payroll being processed by the Treasurer.

Official's Response:

Starting July 1, 2019 the school has engaged a professional management company that provides outsourced personnel to the school. Effective July 1, 2019 the school will not have direct payroll responsibilities. The management company has a professional payroll service assist in payroll administration of the outsourced personnel.

FINDING 2018-004

Significant Deficiency

When designing the public office's system in internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

Due to deficiencies in internal controls over purchasing, the following conditions related to the Academy's purchasing cycle were identified:

- The Academy had an operating lease on a copier and made monthly payments based on usage. Six of 10 monthly lease payments were paid from Title I funds. Based on usage, review of lease payment postings from other months to the General Fund, and review of the Title I budget approved by the Ohio Department of Education, this fund allocation may not appear reasonable.

- While the Academy used signed purchase orders to authorize purchases, there was not a documented supervisory review and approval of vendor invoices for payment.

FINDING 2018-004
(Continued)

- Accounts Payable and related expense were understated by $12,733 within our search for unrecorded payables. The sampling projected unrecorded payables liability was $30,149. The financial statements have not been adjusted for this error.

- Five of 12 (42%) employee reimbursements had errors totaling $441 related to missing receipts, lack of itemized receipts, or inclusion of unallowable items. Also, employee reimbursements to the Director were not signed by a reviewer indicating approval. Reimbursements to other employees were properly approved.

- Non-payroll checks were not always issued in sequential order:

  - Check number 10846 dated 7/4/17 was the first check issued for the year, but check numbers 10337, 10338, and 10339 were later issued on 11/14/17;

  - Check number 10872 was dated 7/17/17 while check numbers 10871 and 10873 were dated 7/19/17;

  - Check number 10901 was dated 2/28/18 while check numbers 10900 and 10902 were dated 8/8/17;

  - Check numbers 10906 through 10909 were dated between 12/16/17 and 12/26/17 while check number 10905 was dated 8/8/17 and check number 10910 was dated 8/14/17;

  - Check numbers 10919, 10920, 10921, 10922, and 10923 were dated 8/14/17, 8/8/17, 8/28/17, 9/6/17, and 8/28/17, respectively;

  - Check number 10951 was dated 9/14/17 while check numbers 10950 and 10952 were dated 9/9/17;

  - Check numbers 10958, 10960, 10961, and 10962 were dated 10/3/17, 10/30/17, 11/1/17 and 11/1/17, respectively, while checks prior to and subsequent to these were dated 10/1/17;

  - Check number 11003 was dated 2/28/18 while check numbers 11002 and 11004 were dated 1/31/18;

  - Check numbers 11006 to 11029 were skipped;

  - Check numbers 11250 to 11286 were issued before check numbers 11033 to 11163;

  - Check numbers 11257 and 11258 were dated 1/18/18 and 1/1/18, respectively, while checks 11256 and 11259 were dated 1/31/18;

  - Check numbers 11271 and 11272 were dated 3/31/18 and 1/5/18, respectively, while checks 11270 and 11273 were dated 2/28/18;

  - Check number 11284 was dated 1/10/18 while check numbers 11283 and 11285 were dated 2/28/18;

  - Check number 11046 was dated 4/30/18 while check numbers 11045 and 11047 were dated 3/31/18;

FINDING 2018-004
(Continued)

- Check number 11085 was dated 6/30/18 while check numbers 11084 and 10086 were dated 4/30/18;
- Check numbers 11089 and 11090 were dated 5/31/18 while check numbers 11088 and 11091 were dated 4/30/18;
- Check number 11127 was dated 6/30/18 while check numbers 11126 and 11128 were dated 5/31/18.

Failure to accurately post non-payroll disbursements and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

The Academy should implement additional internal controls to ensure:

- Invoices receive a documented approval for payment;
- Employee reimbursements are adequately supported and approved;
- Fund allocations are reasonable;
- Checks are issued sequentially to reduce the likelihood of undetected errors.

Official's Response:

Starting July 1, 2019 the school has engaged a professional outsourced treasury group that ensures payment activity is initiated based on approved and supported requests.

FINDING 2018-005

Significant Deficiency/Noncompliance

Ohio Rev. Code § 3314.08 provides the formula by which Community Schools are funded. Community Schools receive funding from the state through the per-pupil foundation allocation. A full-time student is one who attends the entire school day and entire school year which would result in the student having a full-time equivalency of 1.00. A student who attends less than the entire day and entire school year would have an FTE equal to the total hours attended in proportion to the total hours offered by the school.

Pursuant to **Ohio Rev. Code § 3301.0714**, schools must enter data regarding enrollment and attendance of students into the Ohio Department of Education's (ODE) Education Management Information System (EMIS). Community School's receive state funding based on the information provided to ODE via EMIS, which should be substantiated by sufficient maintenance of records indicating the time spent by each student engaging in learning opportunities.

Due to inadequate policies and procedures for maintain records, the Academy was unable to provide requested EMIS supporting documentation for student attendance records, including:

- An EMIS report identifying when newly enrolled students began participating in learning opportunities and whether it was timely compared with daily attendance logs and enrollment forms maintained in student files.

FINDING 2018-005
(Continued)

- An EMIS withdrawal listing identifying when students were withdrawn to determine whether it was timely compared with daily attendance logs and documentation in student files, and if it was timely if a student was reported absent for 105 consecutive hours.

The failure by the Academy to properly maintain and provide documentation of attendance of its students could result in errors and a liability for repayment of state foundation payments if overfunding were to occur.

The Academy should improve its record keeping procedures and maintain EMIS reports along with daily attendance records and student files.

Official's Response:

Starting July 1, 2019 the school has engaged a professional management company that has proper and sufficient maintenance of student records and files.

FINDING 2018-006

Significant Deficiency – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Due to deficiencies in the Academy's internal controls over financial reporting, the following conditions related to the Academy's financial statements were identified:

- Deferred Outflows: Pension (SERS), Pension Expense (SERS) and Beginning Net Position were overstated by $8,664, $9,213 and $17,877, respectively.

- Deferred Inflows: Pension (STRS) and Beginning Net Position were overstated by $4,661 and 1,419, respectively, while Pension Expense (STRS) was understated by $3,242.

- OPEB expense and Beginning Net Position were overstated by $23,699 and $28,557, respectively, while Deferred Outflows (OPEB) were understated by $4,858.

- Casino receipts totaling $6,972 were incorrectly posted to Operating Revenue: Other rather than Non-Operating Revenue: State Grants.

- Restricted Net Position totaling $6,220 was incorrectly posted to Unrestricted Net Position.

The Academy has not adjusted the financial statements or related note disclosures.

FINDING 2018-006
(Continued)

Failure to properly report financial activity increases the risk of inaccurate financial statements.

The Academy should take steps to make sure the financial statements accurately reflect the Academy's financial information, including internal control policies and procedures to review and approve the financial statements prior to submission for audit.

Official's Response:

New management and treasury team will work closely with GAAP to ensure accurate financial reporting.

KING ACADEMY
HAMILTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Finding for Recovery	Repaid	None
2017-002	The Academy did not prepare accurate bank reconciliations.	Not Corrected	Repeated as Finding 2018-002

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OHIO AUDITOR OF STATE
KEITH FABER

KING 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
SEPTEMBER 5, 2019