



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Governors:

Report on the Financial Statements

We have audited the accompanying financial statements of Hamilton County Mathematics and Science Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2014, 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 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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hamilton County Mathematics and Science Academy, Hamilton County as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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www.ohioauditor.gov

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 13 to the financial statements, the Academy did not pay a balloon payment on their mortgage due in March 2015 and has not yet refinanced the mortgage, raising substantial doubt about its ability to continue as a going concern. Note 13 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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*, 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.

Supplementary and Other Information

Our audit was conducted to opine on the Government's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2015, 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

May 18, 2015

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

The discussion and analysis of the Hamilton County Mathematics and Science Academy's, Hamilton County, Ohio (the Academy), financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- Total net position increased \$161,815 (from Table 1) in fiscal year 2014, which represents a 33% increase from the prior year.
- Total assets increased \$192,898 (from Table 1), which represents a 9% increase from the prior year. The increase in assets is primarily due to additional cash positions.
- Operating loss reported for fiscal year 2014 (\$253,905). There was an increase in operating revenues of \$500,487.

Using this Financial Report

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

Statement of Net Position

The Statement of Net Position, answers the question, "How did we do financially during 2014?" These statements include all assets, liabilities, revenues and expenses, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

Table 1 provides a summary of the Academy's net position for fiscal year 2014 compared with fiscal year 2013:

(Table 1)

Net Position

	2014	2013
Assets		
Current Assets	\$392,588	\$ 217,824
Capital Assets, Net	1,894,848	1,876,714
Total Assets	2,287,436	2,094,538
Liabilities		
Current Liabilities	1,643,796	346,173
Non-Current Liabilities	0	1,266,540
Total Liabilities	1,643,796	1,612,713
Net Position		
Net Investment in Capital Assets	624,457	560,864
Unrestricted	19,183	(79,039)
Total Net Position	\$643,640	\$ 481,825

Total assets increased by \$192,898. This increase was primarily due to an increase in cash position (\$177,133). The net capital assets did increase slightly despite \$104,061 in current year depreciation expense. Also, liabilities increased \$31,083 primarily due to increases in accounts payable and intergovernmental payables offsetting the reduction on related debt payments for the financing of the building and improvements. These note payments reduced debt by 4.4 percent.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

Table 2 shows the changes in net position for fiscal year 2014 and fiscal year 2013, as well as a listing of revenues and expenses.

(Table 2)

	2014	2013
Operating Revenues		
Foundation Payments	\$ 3,581,334	\$ 3,036,325
Miscellaneous	78,473	122,995
Total Operating Revenues	3,659,807	3,159,320
Operating Expenses		
Salaries	2,101,932	1,895,697
Fringe Benefits	590,696	516,271
Purchased Services	852,047	735,790
Supplies and Materials	177,114	149,238
Depreciation	104,061	94,911
Other	87,862	47,019
Total Operating Expenses	3,913,712	3,438,926
Operating Loss	(253,905)	(279,606)
Non-Operating Revenue and Expense		
Interest Revenues	58	-
Intergovernmental	495,951	622,569
Interest Expense	(80,289)	(87,884)
Total Non-Operating Revenues	415,720	534,685
Change in Net Position	161,815	255,079
Net Position Beginning of Year	481,825	226,746
Net Position End of Year	\$ 643,640	\$ 481,825

Operating revenues increased \$500,487 or 15.8% from the prior year. The increase was primarily the result of an increase in foundation payment revenues from the prior year due to increased FTE enrollment of 45.58 from fiscal year 2013.

Total operating expenses of the Academy reported for fiscal year 2014 increased by \$474,786 or 13.8% compared to those reported for the previous fiscal year. The increase in expenses was due to the Academy's additional services required due to the increase in student enrollment.

Non-Operating Revenues from intergovernmental decreased by \$126,618 from prior year.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

Capital Assets

At the end of fiscal year 2014, the Academy had \$1,894,848 invested in Land, Construction in Progress, Buildings, Building Improvements and Equipment, which represented an increase of \$18,134 from 2013. Table 3 shows fiscal year 2014 and fiscal year 2013:

(Table 3)

**Capital Assets at June 30, 2014
(Net of Depreciation)**

	<u>2014</u>	<u>2013</u>
Land	\$ 180,000	\$ 180,000
Construction in Progress	31,842	-
Building	1,438,446	1,479,543
Building Improvements	189,135	161,139
Equipment	<u>55,425</u>	<u>56,032</u>
Total	<u>\$1,894,848</u>	<u>\$1,876,714</u>

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

Debt

At June 30, 2014, the Academy had \$1,294,641 in debt outstanding, all of which is due within one year. Table 4 summarizes outstanding notes.

(Table 4)

	<u>2014</u>	<u>2013</u>
Mortgage Loan Payable	\$1,264,494	\$1,309,953
Capital Leases Payable	0	5,897
Commercial Note Payable	<u>30,147</u>	<u>38,260</u>
Total	<u>\$1,294,641</u>	<u>\$1,354,110</u>

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

For the Future

The Academy continues to position itself for providing a healthy environment for the students it serves. With the new November counts, fiscal year 2015 has pushed the FTE enrollment counts over 600 for the first time in the Academy's history.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Hamilton County Mathematics and Science Academy finances and to show the Academy's accountability for the money it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or request for additional financial information should be directed to Hamilton County Mathematics and Science Academy, 2675 Civic Center Drive, Cincinnati, Ohio 45231.

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**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2014**

Assets

Current Assets

Cash and Cash Equivalents	\$ 365,659
Accounts Receivable	6,700
Intergovernmental Receivable	20,229
Total Current Assets	<u>392,588</u>

Non-Current Assets

Land	180,000
Construction in Progress	31,842
Depreciable Capital Assets (Net of Accumulated Depreciation)	<u>1,683,006</u>
Total Non-Current Assets	<u>1,894,848</u>
Total Assets	<u><u>\$ 2,287,436</u></u>

Liabilities

Current Liabilities

Account Payable	\$ 69,319
Accrued Wages	233,044
Intergovernmental Payable	45,619
ST/Debt - LOC's	31,320
Current Portion of LT Debt (Due in One Year)	<u>1,264,494</u>
Total Current Liabilities	<u>1,643,796</u>

Net Position

Net Investment in Capital Assets	624,457
Unrestricted	<u>19,183</u>
Total Net Position	<u><u>\$ 643,640</u></u>

See Accompanying Notes to the Basic Financial Statements

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Operating Revenues

Foundation payments	\$ 3,581,334
Tuition and Fees	11,747
Charges for Services	66,415
Miscellaneous	311
Total Operating Revenues	<u>3,659,807</u>

Operating Expenses

Salaries	2,101,932
Fringe Benefits	590,696
Purchased Services	852,047
Supplies and materials	177,114
Depreciation	104,061
Other	87,862
Total Operating Expenses	<u>3,913,712</u>

Operating Loss (253,905)

Non-Operating Revenues and Expenses

Interest Revenue	58
Intergovernmental	495,951
Interest Expense	(80,289)
Total Non-Operating Revenues and Expenses	<u>415,720</u>

Change in Net Position 161,815

Net Position Beginning of Year	481,825
Net Position End of Year	<u>\$ 643,640</u>

See Accompanying Notes to the Basic Financial Statements

**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOW
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Increase (Decreases) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State - Foundation	\$ 3,581,334
Cash Received from Charges for Services & Other Receipts	78,387
Cash Payments to Employees for Services	(2,097,612)
Cash Payments for Employee Benefits	(559,464)
Cash Payment to Suppliers for Goods and Services	(981,948)
Cash Payment for Other Expenses	(87,862)
Net Cash Used for Operating Activities	<u>(67,165)</u>

Cash Flows from Noncapital Financing Activities:

Grants Received	<u>505,020</u>
Net Cash from Noncapital Financing Activities	<u>505,020</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(122,195)
Interest Payment on Long Term Obligations	(80,289)
Principal Paid on Line of Credit of Payable	(6,940)
Principal Paid on Capital Lease Payable	(5,897)
Principal Paid on Mortgage Payable	(45,459)
Net Cash Used for Capital and Related Financing Activities	<u>(260,780)</u>

Cash Flows from Investment Activities:

Interest	<u>58</u>
Net Cash from Investment Activities	<u>58</u>

Net increase in cash and cash equivalents:	177,133
Cash and cash equivalents at beginning of year	<u>188,526</u>
Cash and cash equivalents at end of year	<u>\$ 365,659</u>

Reconciliation of Operating Loss to Net Cash

Used for Operating Activities:

Operating Loss	\$ (253,905)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Depreciation	104,061
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(6,700)
Increase in Accounts Payable	47,213
Increase in Accrued Wages	10,934
Increase in Intergovernmental Payable	31,232
Total Adjustments	<u>186,740</u>

Net cash used by operating activities	<u>\$ (67,165)</u>
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**HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

The Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2001. However, the Ohio State Board of Education subsequently decided to suspend its sponsorship of community schools and the Academy obtained Lucas County Educational Service Center as its sponsor for the school year beginning July 1, 2005. They were replaced by Educational Resource Consultants of Ohio Inc. as its sponsor in January 2006 and is still the current sponsor.

The Academy operates under the direction of a five-member Board of Governors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 26 full-time teaching personnel who provided services to 544 FTE students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 and all liabilities are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Academy finances meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash into separate funds. Total cash is presented as “cash and cash equivalents” on the accompanying statement of net position.

F. Capital Assets and Depreciation

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

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

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

G. Net Position

Net position represents the difference between assets and liabilities. Assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use 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 are available.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments and certain charges to students recorded as tuition and fees or charges for services. Operating expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the Academy, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various intergovernmental, interest revenue and interest expense comprise the non-operating revenues and expenses of the Academy.

I. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2014, including:

Wages Payable – Salary payments made after year-end that were for services rendered in fiscal year 2014. Teaching personnel are paid in 24 equal installments, ending with the first pay period in August, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2014 for all salary payments made to teaching personnel during the months of July and beginning of August 2014.

Intergovernmental payable – payment for the employer's share of the retirement contribution (\$32,626), associated with services rendered during fiscal year 2014, but were not paid until the subsequent fiscal year is the major expense in this category.

J. Federal Tax Exemption Status

The Academy is a non-profit organization that has been determined by the internal Revenue Service to be exempt from federal income taxes a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

K. Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

3. DEPOSITS

At fiscal year end, the carrying amount of the Academy's deposits was \$365,659 and the bank balance was \$336,838. Of the bank balance, \$280,309 was covered by federal depository insurance and \$86,529 was uncollateralized.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14
Business-Type Activity				
Capital Assets Not Being Depreciated				
Land	\$ 180,000	\$-	\$-	\$ 180,000
Construction in Progress	-	31,842	-	31,842
Total Capital Assets Not Being Depreciated	-	31,842	-	211,842
Capital Assets Being Depreciated				
Building	1,643,937	-	-	1,643,937
Building Improvements	217,566	43,966	-	261,532
Equipment	323,589	46,387	-	369,976
Total Capital Assets Being Depreciated	2,185,092	90,353	-	2,275,445
Less Accumulated Depreciation:				
Building	(164,393)	(41,098)	-	(205,491)
Building Improvements	(56,427)	(15,970)	-	(72,397)
Equipment	(267,558)	(46,993)	-	(314,551)
Total Accumulated Depreciation	(488,378)	(104,061)	-	(592,439)
Total Capital Assets Being Depreciated, Net	1,696,714	(13,708)	-	1,683,006
Business-Type Activity Capital Assets, Net	\$1,876,714	\$18,134	\$-	\$1,894,848

The Academy purchased the building (located at 2675 Civic Center Drive, Cincinnati, Ohio) in March 2010 for \$1,800,000 through PNC Bank with a \$1,440,000 mortgage, 60 month note at 6% containing a balloon payment in March 2015. The Academy requested and received an extension to pay through June 28, 2015. The Academy is currently in negotiations with PNC Bank for refinancing the balloon payment amount due.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

5. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2014, the Academy contracted with Philadelphia Insurance Company for general liability of \$3 million, \$1 million automobile liability and \$2 million in umbrella.

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

B. Workers Compensation

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate amount four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and benefits is 13.10 percent. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B funds. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$75,576, \$80,969, and \$74,082 respectively; 97 percent has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under “*Publications*”.

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

6. DEFINED BENEFIT PENSION PLANS (Continued)

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$217,874, \$213,726, and \$204,028, respectively; 87 percent for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC Plan for fiscal year 2014 was \$9,109 made by the Academy and \$7,157 made by the plan members. There were no contributions to the Combined Plan for fiscal year 2014.

7. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Medicare Part B

Medicare B plan reimburses Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$99.90 for most participants, but could go as high as \$319.70 per month depending on their income. SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal 2014, the actuarial required allocation is 0.76 percent the Academy's contributions for the years ended June 30, 2014, 2013, and 2012 were \$4,385, \$3,574, and \$3,403, respectively, 97 percent has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Health Care Plan

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

7. POSTEMPLOYMENT BENEFITS (Continued)

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides 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 the fiscal year June 30, 2014, the minimum compensation level was established at \$20,250. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the year ended June 30, 2014, 2013 and 2012, was \$808, \$7,104 and \$2,496, respectively, 97 percent has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

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

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

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

7. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$16,760, \$14,128, and \$13,681, respectively; 87 percent for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

8. EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

B. Insurance Benefits

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

9. CAPITAL LEASE – LESSEE DISCLOSURE

During the fiscal year 2010 the Academy entered into a 60 month lease agreement with Sonitrol of SW Ohio, for the acquisition of a security system. The terms of the Agreement provide options to purchase the equipment. Payments are \$300 per month with interest at 16.12%. The leases was set to expire in 2015 but retired early in fiscal year 2014. Principal paid during the year was \$5,897.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

10. LONG TERM OBLIGATIONS

During the fiscal year 2012, the Academy entered into a commercial loan/revolving note arrangement with Fifth Third Bank for \$50,000. Terms are for floating interest rate per annum equal to a certain percentage over the Prime Rate not be less than 4.25%. Balance as of June 30, 2014 was \$31,320.

The activity of the Academy's debt for fiscal year 2014 is summarized as follows:

Obligations	Obligation Outstanding at 6/30/13	Additions	Payments	Obligation Outstanding at 6/30/14	Amounts Due in One Year
Mortgage Loan - US Bank	\$1,309,953	\$-	\$45,459	\$1,264,494	\$1,264,494
Capital Lease – Security	5,897	-	5,897	-	-
Commercial Note - 5/3 rd	38,260	-	6,940	31,320	31,320
Total	<u>\$1,354,110</u>	<u>\$-</u>	<u>\$58,296</u>	<u>\$1,295,814</u>	<u>\$1,295,814</u>

11. CONTINGENCIES

A Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014.

B State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The Academy does not anticipate any material adjustments to state funding for fiscal year 2015 as a result of such review.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

11. CONTINGENCIES (Continued)

C State Foundation

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

12. PURCHASED SERVICES

For the year ended June 30, 2014, the purchased service expenses were comprised of the following:

Professional and Technical Services	\$320,130
Property Services	118,661
Communications	72,808
Utilities	88,025
Food Service	179,819
Other	72,604
Total Purchased Services	<u><u>\$852,047</u></u>

13. SUBSEQUENT EVENT

The Academy's balloon payment on the mortgage payable was due on March 15, 2015. PNC Bank extended the payment date until June 28, 2015. The Academy is required to make monthly payments as described in the original promissory note date March 30, 2010 between March 15, 2015 and June 28, 2015 at which time the remaining principal balance is due. The Academy is negotiating with PNC Bank to refinance the balloon payment before the required payment date of June 28, 2015.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor, Pass-Through Grantor, Program Title/Name	Grant Year	CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
<u>Child Nutrition Cluster:</u>				
National School Breakfast Program	2014	10.553	\$ 24,781	\$ 24,781
National School Lunch Program	2014	10.555	107,962	107,962
Total Child Nutrition Cluster			<u>132,743</u>	<u>132,743</u>
Fresh Fruit & Vegetable Program	2014	10.582	18,855	18,855
Fresh Fruit & Vegetable Program	2013	10.582	0	2,850
Total Fresh Fruit & Vegetable Program			<u>18,855</u>	<u>21,705</u>
Total U.S. Department of Agriculture			<u>151,598</u>	<u>154,448</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
<u>Special Education Cluster:</u>				
Special Education-Grants to States	2014	84.027	71,460	77,365
Special Education-Grants to States	2013	84.027	0	17,783
Total Special Education Cluster			<u>71,460</u>	<u>95,148</u>
Title I Grants to Local Educational Agencies	2014	84.010	250,782	259,463
Title I Grants to Local Educational Agencies	2013	84.010	0	19,322
Total Title I Grants to Local Educational Agencies			<u>250,782</u>	<u>278,785</u>
Total U.S. Department of Education			<u>322,242</u>	<u>373,933</u>
Total Federal Assistance			<u>\$473,840</u>	<u>\$528,381</u>

The accompanying notes to this schedule are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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



Dave Yost • Auditor of State

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

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

To the Board of Governors:

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 the business-type activities of Hamilton County Mathematics and Science Academy, Hamilton County, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 18, 2015, wherein we noted that the Academy did not pay a balloon payment on their mortgage due in March 2015 and has not yet refinanced the mortgage, raising substantial doubt about its ability to continue as a going concern.

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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Academy's Response to Finding

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

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

May 18, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Governors:

Report on Compliance for the Major Federal Program

We have audited the Hamilton County Mathematics and Science Academy's, Hamilton County, Ohio (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Academy's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal program.

Management's Responsibility

The Academy's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for the Academy's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on the Major Federal Program

In our opinion, the Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

May 18, 2015

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

Material Weakness

When designing the public office's system of 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.

The Academy did not accurately classify debt outstanding at June 30, 2014. The Academy reported a \$1,215,170 balloon mortgage payment due within the next fiscal year as Long Term Debt Due in More than One Year instead of Current Portion of Long Term Debt Due in One Year.

The Academy has corrected the financial statements.

Failure to accurately report financial activity can result in inaccurate financial statements. The Academy should implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information.

Officials' Response:

Hamilton County Mathematics and Science Academy is currently in the process of refinancing the \$1,215,170 outstanding mortgage balance.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

HAMILTON COUNTY MATHEMATICS AND SCIENCE ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 4, 2015**