



Dave Yost • Auditor of State

**KING ACADEMY
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position June 30, 2014	7
Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2014.....	8
Statement of Cash Flows For the Year Ended June 30, 2014.....	9
Notes to the Basic Financial Statements	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25

This page intentionally left blank.



Dave Yost • Auditor of State

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 basic financial statements of King 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 that we plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about the 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 considered internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design appropriate audit procedures, 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 opinions.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of King Academy, Hamilton County, Ohio (the Academy), as of and for the year ended as of June 30, 2014, and the respective changes in 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.

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 inquiring to management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries and to the basic financial statements, and for consistency with other knowledge we obtained during our audit of the basic financial statements.

We do not opine or provide any assurance on the required supplementary information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016, 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.



Dave Yost
Auditor of State

Columbus, Ohio

January 27, 2016

**KING ACADEMY
HAMILTON COUNTY, OHIO**

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

The management's discussion and analysis of King Academy's (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 the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position was \$451,188 at June 30, 2014.
- The Academy had operating revenues of \$787,247 and operating expenses of \$1,169,291 for fiscal year 2014. The Academy also received \$173,319 in Federal and State grants during fiscal year 2014. Total change in net position for the fiscal year was a decrease of \$208,725.
- The Academy had a year end cash balance of \$149,468 or 13% of the cash basis expenses for the Academy.

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 2014?" 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 that position. 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 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**KING ACADEMY
HAMILTON COUNTY, OHIO**

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

The table below provides a summary of the Academy's net position for fiscal years 2013 and 2014.

	Net position	
	<u>2013</u>	<u>2014</u>
<u>Assets</u>		
Current assets	\$ 441,281	\$ 274,844
Capital assets, net	<u>270,068</u>	<u>224,990</u>
Total Assets	<u>711,349</u>	<u>499,834</u>
<u>Liabilities</u>		
Current liabilities	<u>51,436</u>	<u>48,646</u>
<u>Net Position</u>		
Net investment in capital assets	270,068	224,990
Restricted	169,267	150,524
Unrestricted	<u>220,578</u>	<u>75,674</u>
Total net position	<u>\$ 659,913</u>	<u>\$ 451,188</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Academy's net position totaled \$451,188. The decrease in current assets is primarily due to a decrease of \$256,146 in cash. Overall, net position decreased \$208,725 as the Academy had a significantly larger intergovernmental receivable for federal grants than fiscal year 2013.

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation program and federal entitlement programs. Foundation payments including Poverty Based Assistance attributed to 80.52% of total operating and non-operating revenues during fiscal year 2014. Salaries and wages and fringe benefits comprise 56.60% of operating expenses.

**KING ACADEMY
HAMILTON COUNTY, OHIO**

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

The table below shows the changes in net position for fiscal years 2013 and 2014.

	Changes in Net Position	
	2013	2014
Revenues		
Operating revenues:		
Foundation payments	\$679,251	\$707,290
Poverty Based Aid	46,722	66,206
Other operating revenues	3,607	13,751
Non-operating revenues:		
Federal and state grants	252,122	173,319
Total revenues	981,702	960,566
Expenses		
Operating expenses:		
Salaries	500,786	542,123
Fringe benefits	135,838	119,653
Purchased services	253,347	336,918
Materials and supplies	70,594	116,976
Depreciation	49,767	51,351
Other expenses	58,532	2,270
Non-Operating Expenses:		
Interest and fiscal charges	8	0
Total Expenses	1,068,872	1,169,291
Change in Net Position	(87,170)	(208,725)
Beginning Net Position	747,083	659,913
Ending Net Position	\$659,913	\$451,188

The decrease in Federal and State grants is primarily due fewer grant resources in fiscal year 2014. The foundation revenue increased with a slightly higher FTE count in fiscal year 2014. Expenses increased about 9% as the Academy added professional contracts to offset the change in FTE.

Capital Assets

At the end of fiscal year 2014, the Academy had \$224,990 invested in computer equipment, furniture and other equipment, and leasehold improvements. See Note 5 in the notes to the basic financial statements for additional information.

**KING ACADEMY
HAMILTON COUNTY, OHIO**

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

Table 3 shows the fiscal year 2013 compared to fiscal year 2014 balances:

Capital Assets, net of accumulated depreciation		
	2013	2014
Leasehold improvements	\$183,607	\$158,056
Computer Equipment	61,534	48,925
Furniture and Equipment	24,927	18,009
Totals	<u>\$270,068</u>	<u>\$224,990</u>

Debt

At June 30, 2014, the Academy had no long term debt.

Current Financial Related Activities

During the 2013-2014 school year, there were on average 106 students enrolled in the Academy. The Academy relies on the State Foundation Funds as well as State and Federal Sub-Grants to provide the monies necessary to operate the Academy. For fiscal year 2015, the December counts show the Academy being funded at approximately 146 students that will provide an additional \$218,000 in foundation revenue.

Contacting the School'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 Ms. Andrea Martinez, Administrator, 224 West Liberty Street, Cincinnati, Ohio 45202 or email at mlkjracademy@fuse.net.

**KING ACADEMY
HAMILTON COUNTY, OHIO
STATEMENT OF NET POSITION**

JUNE 30, 2014

Assets:

Current assets:

Cash	\$ 149,468
Intergovernmental receivable	125,376
Total current assets	<u>274,844</u>

Noncurrent assets:

Depreciable capital assets, net	<u>224,990</u>
---------------------------------	----------------

Total Assets 499,834

Liabilities:

Current liabilities

Accounts payable	3,925
Accrued wages and benefits	38,190
Intergovernmental payable	<u>6,531</u>

Total Liabilities 48,646

Net Position:

Net investment in capital assets	224,990
Restricted	
Other purposes	150,524
Unrestricted	<u>75,674</u>

Total Net Position \$ 451,188

See accompanying notes to the basic financial statements

**KING ACADEMY
HAMILTON COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Net Position**

Year Ended June 30, 2014

Operating Revenues:	
State foundation	\$ 707,290
Poverty Based Assistance	66,206
Charges for services	500
Other operating revenues	<u>13,251</u>
Total operating revenues	<u>787,247</u>
Operating Expenses:	
Salaries and wages	542,123
Fringe benefits	119,653
Purchased Services:	
Professional and technical services	178,657
Property services	87,560
Communications	18,123
Utilities	42,162
Other	10,416
Materials and supplies	116,976
Depreciation	51,351
Other expenses	<u>2,270</u>
Total operating expenses	<u>1,169,291</u>
Operating Loss	(382,044)
Nonoperating revenues:	
Federal grants	169,763
State grants	<u>3,556</u>
Total nonoperating revenues	<u>173,319</u>
Change in net position	(208,725)
Net position, beginning of year	659,913
Net position, end of year	<u><u>\$ 451,188</u></u>

See accompanying notes to the basic financial statements

**KING ACADEMY
HAMILTON COUNTY, OHIO
Statement of Cash Flows**

Year Ended June 30, 2014

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$ 707,290
Cash received from State of Ohio - Poverty Based Assistance	66,206
Cash received from customers	500
Cash received from other operating revenues	13,251
Cash payments for personal services	(663,874)
Cash payments for contract services	(336,776)
Cash payments for supplies and materials	(116,771)
Cash payments for other expenses	(2,270)
Net cash used for operating activities	<u>(332,444)</u>

Cash flows from noncapital financing activities:

Cash received from state and federal grants	<u>82,571</u>
Net cash provided by noncapital financing activities	<u>82,571</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	<u>(6,273)</u>
Net cash used for capital and related financing activities	<u>(6,273)</u>

Net change in cash and cash equivalents	(256,146)
Cash and cash equivalents at beginning of year	<u>405,614</u>
Cash and cash equivalents at end of year	<u><u>149,468</u></u>

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	(382,044)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	51,351
Change in assets and liabilities:	
Intergovernmental receivable	1,039
Accounts payable	347
Accrued wages and benefits	6,424
Intergovernmental payable	(9,561)

Net cash used for operating activities	<u><u>\$ (332,444)</u></u>
--	----------------------------

See accompanying notes to the basic financial statements

This page intentionally left blank

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

1. DESCRIPTION OF THE REPORTING ENTITY

King Academy (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, which 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 acquire facilities as needed and contract for any services necessary for the operation of the Academy.

On July 1, 2007, the Academy changed sponsors and contracted with Educational Resource Consultants of Ohio through June 30, 2012. The sponsor contract has been renewed for one year through June 30, 2013. The Academy and sponsor renewed the contract for a two year period from July 1, 2013 through June 30, 2015. For fiscal year 2014, Michael Ashmore served as the Treasurer of the Academy.

The Academy operates under the direction of a 5 member Board of Directors. The Governing 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 Governing Board controls the Academy’s one instructional/support facility staffed by 3 non-certified and 9 certified full-time teaching personnel who provide services to an average of 106 students during the fiscal year.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

B. Measurement Focus and Basis of Accounting

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 revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

C. 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 does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

D. Cash and Investments

All monies received by the Academy are accounted for by the Academy's Treasurer. All cash received is maintained in accounts in the Academy's name. Monies for the Academy are maintained in bank accounts or temporarily used to purchase short-term investments.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For presentation on the financial statements, investments of the cash management pool and 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.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy does not maintain a capital asset policy and 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.

Capital assets 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:

<u>Description</u>	<u>Estimated Lives</u>
Leasehold improvements	5-15 years
Computers, Furniture and Equipment	5 years

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, IDEA B grant, and Title I-A. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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.

Amounts awarded under grants and entitlements for the year ended June 30, 2014 totaled \$946,815.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net Position

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

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts disclosure. Accordingly, actual results may differ from those estimates.

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 the State Foundation program, the State Special Education program and specific charges to the students or users of the Academy. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

3. DEPOSITS AND INVESTMENTS

At June 30, 2014, the carrying amount of the Academy's deposits was \$149,468 and the bank balance was \$203,530. The entire bank balance was covered by Federal Depository Insurance Corporation (FDIC).

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

3. DEPOSITS AND INVESTMENTS (continued)

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

4. RECEIVABLES

Receivables at June 30, 2014, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Intergovernmental	Amount
Title VI-B Grant	\$22,440
Title I Grant	102,936
Total	\$125,376

5. CAPITAL ASSETS

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

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
Capital Assets Being Depreciated				
Leasehold Improvements	\$349,774	\$0	\$0	\$349,774
Computer Equipment	144,226	6,273	0	150,499
Furniture and Equipment	137,075	0	0	137,075
Total Capital Assets Being Depreciated	631,075	6,273	0	637,348
Less Accumulated Depreciation				
Leasehold Improvements	(166,167)	(25,551)	0	(191,718)
Computer Equipment	(82,692)	(18,882)	0	(101,574)
Furniture and Equipment	(112,148)	(6,918)	0	(119,066)
Total Accumulated Depreciation	(361,007)	(51,351)	0	(412,358)
Capital Assets, Net	\$270,068	(\$45,078)	\$0	\$224,990

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

6. OPERATING LEASE

The Academy has renewed an operating lease for the period August 16, 2009 through June 30, 2014 with Martin Luther King, Jr. Elementary Academy, Inc. to lease a school facility. Payments made totaled \$57,696 for the fiscal year ended June 30, 2014.

7. 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. During the period ending June 30, 2014, the Academy contracted with Zurich American Insurance Group for insurance.

Coverage is as follows:

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 have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the previous year.

B. Worker's Compensation

The Academy pays the State Worker's 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.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

8. 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 \$15,894, \$11,278, and \$13,682 respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System

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".

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

9. DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$54,542, \$52,371, and \$69,327, respectively; 100 percent for fiscal years 2014, 2013 and 2012. There no contributions to the DC and Combined Plans for fiscal year 2014.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, certain members of the Governing Board have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

9. 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 \$922, \$654, and \$808, respectively, 100 percent for fiscal years 2014, 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.

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. 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.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

9. POSTEMPLOYMENT BENEFITS (continued)

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 \$1,735, \$1,231 and \$2,263, respectively, 100 percent for fiscal years 2014, 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.

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 \$4,196, \$4,024, and \$5,353, respectively; 100 percent for fiscal years 2014, 2013 and 2012.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

10. OTHER EMPLOYEE BENEFITS

Full-time teachers are entitled to eight days of sick leave a year. Administrative staff, including the administrative assistant, are entitled to eight days of sick leave a 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.

11. RESTRICTED ASSETS

At June 30, 2014 the Academy reported restricted net position totaling \$150,524 for the following:

Food Service	\$123,104
Andrew Jergens Foundation Grant	14,154
Hidden Valley Ranch Grant	13,266

12. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

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.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

13. SPONSORSHIP

The Academy contract requires three percent of all funds received from State foundation revenues to be transferred to the Educational Resource Consultants of Ohio for sponsorship fees. Total payments made during the period ended June 30, 2014 were \$22,891.



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

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 basic financial statements of King Academy, Hamilton County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2016.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of as item 2014-002.

Entity'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 audit the Academy's responses 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 27, 2016

**KING ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2014**

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

FINDING NUMBER 2014-001

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal contractual requirements and prepare financial statements.

The School did not prepare accurate and timely cash reconciliations for all bank accounts as of June 30, 2014. The cash reconciliation obtained from School's accounting system for the operating account included a reconciling item in the amount of \$6,040 for which no support was provided. The cash reconciliation prepared for the payroll account included various unsupported reconciling items and resulted in a reconciliation variance of \$2,875. The payroll account is a clearing account and should reconcile to a zero balance.

We evaluated the bank balances and identified certain reconciling items which resulted in the carrying value of both accounts being less than the bank balance. No adjustments were made to the accompanying financial statements for the resulting variance, however we recommend the School continue to pursue and resolve variances subsequently identified.

Failure to accurately reconcile the accounting records 1) reduces the accountability over the School's funds, 2) reduces the Board's ability to monitor financial activity and make informed financial decisions, 3) increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend that the School prepare accurate and timely bank reconciliations, document all reconciling items, and maintain supporting documentation for all reconciling items. For added accountability, we recommend the Board review all cash reconciliations for accuracy and to ensure all reconciling items are justified.

Officials' Response:

There were several payroll related items on the regular bank account that were reconciling items that also impacted the payroll reconciliation. All of the reconciling items had explanations except for the remaining \$2,875.

As of 11/30/15 we moved our bank accounts to a new bank and once we see that the reconciling balances are not changing we will be transferring money from our old bank account to our new bank account. This will correct all reconciling items.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code, Section 2921.42(A)(1), provides that no public official shall knowingly authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

A 'public official' is defined in **Ohio Rev. Code, Section 2921.01(A)** as any elected or appointed officer, or employee, or agent of the State or any political subdivision, whether in a temporary or permanent capacity, and includes, but is not limited to, legislators, judges, and law enforcement officers.

The School contracted with Alexandria Martinez to provide general labor services to the School during fiscal year 2014. Alexandria Martinez is the daughter of the School's Director, Andrea Martinez. The contract for general labor provided for audit was not signed by any official from the School and approval of the contract was not documented in the Board minutes. Six manual checks totaling \$2,190 were written to Alexandria Martinez and signed by the School's Director, Andrea Martinez. The School provided timesheets to support the payments to Alexandria Martinez which were approved by another School employee.

We recommend that the School consult with their legal counsel to review the requirements of Ohio Rev. Code 2921.42 to ensure that public officials are transacting School business in accordance with the Ohio Ethics Law.

This matter will be referred to the Ohio Ethics Commission.

Officials' Response:

Director Andrea Martinez never signed any of Alexandria Martinez's timesheets and the board did approve for vendor to be hired for the move from our old location.

We will make sure that anytime a contract involves someone related to the Director that the contract will be approved and signed by the Board and any requests for payment, either by timesheet or invoice will be approved by someone other than the Director.

Auditor of State Conclusion:

We will defer to the Ohio Ethics Commission's determination as to whether the Director's signature on checks to the Director's close relative for contract services indicates that the Director knowingly authorized a public contract in which a member of the public official's family had an interest ((Ohio Rev. Code § 2921.42(A)(1)) and that the Director knowingly had an interest in the profits or benefits of a public contract entered into by the School (Ohio Rev. Code, § 2921.42(A)(4)).



Dave Yost • Auditor of State

KING ACADEMY COMMUNITY SCHOOL

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
FEBRUARY 16, 2016**