



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
Statement of Net Position June 30, 2013	7
Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2013	8
Statement of Cash Flows For the Fiscal Year Ended June 30, 2013	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
Independent Accountants' Report on Applying Agreed Upon Procedures	25

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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 School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School'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 School'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 School'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 the overall financial statement presentation.

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

Opinion

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, as of June 30, 2013, 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2015, on our consideration of the School'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 School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 8, 2015

**KING ACADEMY
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013. 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 2013 are as follows:

- In total, net position was \$659,913 at June 30, 2013.
- The Academy had operating revenues of \$729,580 and operating expenses of \$1,068,864 for fiscal year 2013. The Academy also received \$252,122 in Federal and State grants during fiscal year 2013. Total change in net position for the fiscal year was a decrease of \$87,170.
- The Academy had a year end cash balance of \$405,614 or 37% 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 2013?" 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, 2013
(Unaudited)

The table below provides a summary of the Academy's net position for fiscal years 2012 and 2013.

	Net Position	
	<u>2012</u>	<u>2013</u>
<u>Assets</u>		
Current Assets	\$ 574,377	\$ 441,281
Capital assets, net	<u>275,936</u>	<u>270,068</u>
Total Assets	<u>850,313</u>	<u>711,349</u>
<u>Liabilities</u>		
Current liabilities	<u>103,230</u>	<u>51,436</u>
<u>Net position</u>		
Net investment in capital assets	275,440	270,068
Restricted	149,589	169,267
Unrestricted	<u>322,054</u>	<u>220,578</u>
Total net position	<u>\$ 747,083</u>	<u>\$ 659,913</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the Academy's net position totaled \$659,913. The decrease in current assets is primarily due to a decrease of \$149,471 in cash. Overall, net position decreased \$87,170 as the current liabilities also decreased year over year.

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 attributed to 69% of total operating and non-operating revenues during fiscal year 2013. Salaries and wages and fringe benefits comprise 59.56% of operating expenses.

The table below shows the changes in net position for fiscal years 2012 and 2013.

	Changes in Net Position	
	2012	2013
Revenues		
Operating revenues:		
Foundation payments	\$722,246	\$679,251
Poverty Based Aid	49,435	46,722
Other operating revenues	24,606	3,607
Non-operating revenues:		
Federal and state grants	273,207	252,122
Total revenues	<u>1,069,494</u>	<u>981,702</u>
Expenses		
Operating expenses:		
Salaries	635,500	500,786
Fringe benefits	146,690	135,838
Purchased services	285,129	253,347
Materials and supplies	146,050	70,594
Depreciation	41,635	49,767
Other expenses	23,124	58,532
Non-Operating Expenses:		
Interest and fiscal charges	102	8
Total Expenses	<u>1,278,230</u>	<u>1,068,872</u>
Change in Net Position	(208,736)	(87,170)
Beginning Net Position	<u>955,819</u>	<u>747,083</u>
Ending Net Position	<u>\$747,083</u>	<u>\$659,913</u>

The decrease in Federal and State grants is primarily due to the receipt of American Recovery and Reinvestment Act and Education Jobs Funds grants during fiscal year 2012. The foundation revenue dropped with a lower FTE count in fiscal year 2013. Expenses dropped over 16% as the number of staff were reduced with the lower FTE and modifications made to class sizes which also reduced the needed for additional materials and supplies.

Capital Assets

At the end of fiscal year 2013, the Academy had \$270,068 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.

Table 3 shows the fiscal year 2013 balances compared to fiscal year 2012:

Capital Assets, net of accumulated depreciation		
	2012	2013
Leasehold improvements	\$209,158	\$183,607
Computer Equipment	36,187	61,534
Furniture and Equipment	30,591	24,927
Totals	<u>\$275,936</u>	<u>\$270,068</u>

Debt

At June 30, 2013, the Academy had no long term debt. During the year, the Academy paid off the remaining \$496 in capital lease obligations outstanding. See Note 7 in the notes to the basic financial statements for more detail on capital lease obligations outstanding.

Current Financial Related Activities

During the 2012-2013 school year, there were approximately 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 2014, the November counts show the Academy being funded at approximately 116 students that will provide an additional \$75,000 in foundation revenue.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Andrea Martinez, Administrator, 933 Bank Street, Cincinnati, Ohio 45214 or email at mlkjracademy@fuse.net.

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

JUNE 30, 2013

Assets:

Current assets:

Cash	\$ 405,614
Intergovernmental receivable	<u>35,667</u>
Total current assets	<u>441,281</u>

Noncurrent assets:

Depreciable capital assets, net	<u>270,068</u>
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Total Assets 711,349

Liabilities:

Current liabilities

Accounts payable	3,578
Accrued wages and benefits	31,766
Intergovernmental payable	<u>16,092</u>

Total Liabilities 51,436

Net Position:

Net investment in capital assets	270,068
Restricted	
Grants	1,903
Other purposes	167,364
Unrestricted	<u>220,578</u>

Total Net Position \$ 659,913

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, 2013

Operating Revenues:	
State foundation	\$ 679,251
Poverty Based Assistance	46,722
Other operating revenues	<u>3,607</u>
Total operating revenues	<u>729,580</u>
Operating Expenses:	
Salaries and wages	500,786
Fringe benefits	135,838
Purchased Services:	
Professional and tehcnical services	123,942
Property services	82,188
Communications	13,510
Utilities	29,741
Other	3,966
Materials and supplies	70,594
Depreciation	49,767
Other expenses	<u>58,532</u>
Total operating expenses	<u>1,068,864</u>
Operating Loss	(339,284)
Nonoperating revenues (expenses):	
Interest and fiscal charges	(8)
Federal grants	247,255
State grants	<u>4,867</u>
Total nonoperating revenues (expenses)	<u>252,114</u>
Change in net position	(87,170)
Net position, beginning of year	747,083
Net position, end of year	<u><u>\$ 659,913</u></u>

See accompanying notes to the basic financial statements

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

Year Ended June 30, 2013

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$ 679,251
Cash received from State of Ohio - Poverty Based Assistance	46,722
Cash received from other operating revenues	3,607
Cash payments for personal services	(635,166)
Cash payments for contract services	(282,734)
Cash payments for supplies and materials	(88,846)
Cash payments for other expenses	(58,532)
Net cash used for operating activities	<u>(335,698)</u>

Cash flows from noncapital financing activities:

Cash received from state and federal grants	<u>230,630</u>
Net cash provided by noncapital financing activities	<u>230,630</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	(43,899)
Principal paid on captial lease payable	(496)
Interest paid on capital lease payable	(8)
Net cash used for capital and related financing activities	<u>(44,403)</u>

Net change in cash and cash equivalents	(149,471)
Cash and cash equivalents at beginning of year	<u>555,085</u>
Cash and cash equivalents at end of year	<u><u>405,614</u></u>

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

Operating loss	(339,284)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	49,767
Change in assets and liabilities:	
Intergovernmental receivable	(1,039)
Prepaid items	6,156
Accounts payable	(2,082)
Accrued wages and benefits	(4,787)
Intergovernmental payable	<u>(44,429)</u>

Net cash used for operating activities	<u><u>\$ (335,698)</u></u>
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See accompanying notes to the basic financial statements

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KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

The Academy was approved for operation under a contract with the Educational Service Center of Lake Erie West (the “Sponsor”) for a period of five years commencing July 28, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of the Educational Service Center of Lake Erie West shall serve as the Chief Fiscal Officer of the Academy (See Note 15). On July 1, 2007, the Academy changed sponsors and contracted with Educational Resource Consultants of Ohio (ERCO) initially through June 30, 2012 which was extended through June 30, 2013. The Academy and ERCO have extended the contract through June 30, 2015. The Treasurer of the Educational Service Center of Lake Erie West was the fiscal agent for the Academy through June 30, 2012. Effective July 1, 2012, the Academy entered into a contract with Michael Ashmore to provide the Academy’s treasury services.

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 106 students.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013

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, Education Jobs grant, IDEA B grant, Title I-A, Title I School Improvement, Title II-A and Title-II-D. 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, 2013 totaled \$978,095.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, the carrying amount of the Academy's deposits was \$405,614 and the bank balance was \$422,316. \$172,316 of the bank balance was not 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, 2013

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, 2013, 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
Casino Shared Revenues	\$2,691
SERS Refund	1,039
Title VI-B Grant	675
Title I Grant	29,425
School Improvement Grant	1,837
Total	\$35,667

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013:

	Balance 6/30/12	Additions	Deductions	Balance 6/30/13
Capital Assets Being Depreciated				
Leasehold Improvements	\$349,774	\$0	\$0	\$349,774
Computer Equipment	100,327	43,899	0	144,226
Furniture and Equipment	137,075	0	0	137,075
Total Capital Assets Being Depreciated	587,176	43,899	0	631,075
Less Accumulated Depreciation				
Leasehold Improvements	(140,616)	(25,551)	0	(166,167)
Computer Equipment	(64,140)	(18,552)	0	(82,692)
Furniture and Equipment	(106,484)	(5,664)	0	(112,148)
Total Accumulated Depreciation	(311,240)	(49,767)	0	(361,007)
Capital Assets, Net	\$275,936	(\$5,868)	\$0	\$270,068

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 \$60,823 for the fiscal year ended June 30, 2013.

7. CAPITALIZED LEASE - LESSEE DISCLOSURE

In fiscal year 2008, the Academy entered into a capital lease agreement to purchase copier equipment. These leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. These capital leases have been recorded at the present value of the future minimum lease payments as of inception date. Principal and interest payments made totaled \$496 and \$8, respectively, for fiscal year ended 2013 and paid off the obligation.

8. 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, 2013, the Academy contracted with Zurich American Insurance Group for insurance.

Coverage is as follows:

Commerical 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, 2013

9. 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 to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and 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 among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$11,278, \$13,682, and \$13,055 respectively; 88 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

9. DEFINED BENEFIT PENSION PLANS (continued)

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DCI Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) live years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

9. DEFINED BENEFIT PENSION PLANS (continued)

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$52,311, \$69,327, and \$64,719, respectively; 91 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$0 made by the Academy and \$0 made by the plan members.

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, 2013, 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, 2013

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,250.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,231, \$2,263, and \$3,131 respectively; 88 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2013, 2012, and 2011 were \$654, \$808 and \$840, 88 percent has been contributed for fiscal year 2013 with 100% for fiscal year 2012 and 2011.

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

10. POSTEMPLOYMENT BENEFITS (continued)

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 2013, 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, 2013, 2012, and 2011 were \$4,024, \$5,353, and \$4,978 respectively; 91 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

11. 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.

12. RESTRICTED ASSETS

At June 30, 2013 the Academy reported restricted net position totaling \$169,267 for the following:

Food Service	\$139,944
Andrew Jergens Foundation Grant	14,154
Hidden Valley Ranch Grant	13,266
Federal Grants	1,903

KING ACADEMY
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

13. CONTINGENCIES

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, 2013.

14. 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, 2013 were \$21,927.

15. CHANGE IN ACCOUNTING PRINCIPLES

The Academy implemented GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year. The implementation of the new standards had no financial statement impact.



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, (the School) as of and for the year ended June 30, 2013, and the related notes to the basic financial statements, and have issued our report thereon dated June 8, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School'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 School'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 School'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School'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*.

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 School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

June 8, 2015



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether King Academy (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School amended its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act", however the policy was not approved by the Board of Directors.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by November 4, 2012 and the Board should have approved the policy.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

June 8, 2015

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

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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
JULY 7, 2015**