

Mound Street Military Careers Academy  
Montgomery County  
Regular Audit  
For the Fiscal Year Ended June 30, 2014



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# Dave Yost • Auditor of State

Members of the Board  
Mound Street Military Careers Academy  
354 Mound Street  
Dayton, Ohio 45402

We have reviewed the *Independent Auditor's Report* of the Mound Street Military Careers Academy, Montgomery County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mound Street Military Careers Academy is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

April 16, 2015

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**Mound Street Military Careers Academy**  
**Montgomery County**  
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*For the Fiscal Year Ended June 30, 2014*

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**Independent Auditor's Report**

Members of the Board  
Mound Street Military Careers Academy  
354 Mound Street  
Dayton, Ohio 45402

**Report on the Financial Statements**

We have audited the accompanying financial statements of Mound Street Military Careers Academy, Montgomery 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mound Street Military Careers Academy, Montgomery County, Ohio, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with 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 that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 17, 2014



**Mound Street Military Careers Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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The discussion and analysis of Mound Street Military Careers Academy's (the Academy) financial performance provides an overall review of the 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**

- Total net position decreased \$50,706 in fiscal year 2014, which represents an 2.8 percent decrease from fiscal year 2013, primarily the result of cash disbursements in excess of cash receipts.
- Total assets decreased \$76,538 which represents a 3.9 percent decrease from the prior year. The decrease is primarily due to the decrease in equity in pooled cash and investments.
- The operating revenue for fiscal year 2014 in the amount of \$499,461 was \$122,142 less than the operating revenue reported for fiscal year 2013. This decrease is primarily due to a decrease in foundation payments received from the state.
- The non-operating revenue for fiscal year 2014 in the amount of \$237,455 was \$117,847 more than the non-operating revenue reported for fiscal year 2013. This increase is primarily due to an increase in state and federal grant revenue.

**Using this Annual Financial Report**

This financial report contains the basic financial statements of the Academy, as well as the management's discussion and analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity-wide and the fund presentation are the same.

**Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position**

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

The statement of revenues, expenses and changes in net position reports the changes in net 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.

**Mound Street Military Careers Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

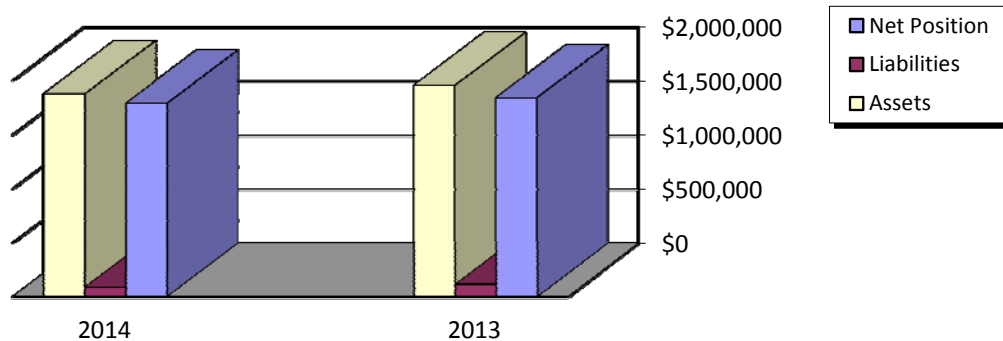
These statements report the Academy's net position, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

**The Academy as a Whole**

As stated previously, the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position for 2014 compared to 2013.

**Table 1  
Net Position**

	Governmental Activities	
	2014	2013
Assets:		
Current and Other Assets	\$1,709,200	\$1,781,569
Capital Assets	164,581	168,750
<b>Total Assets</b>	<b>1,873,781</b>	<b>1,950,319</b>
Liabilities:		
Other Liabilities	59,289	84,847
Long-Term Liabilities	27,638	27,912
<b>Total Liabilities</b>	<b>86,927</b>	<b>112,759</b>
Net Position:		
Net Investment in Capital Assets	164,581	168,750
Restricted	1,568,081	1,686,738
Unrestricted	54,192	(17,928)
<b>Total Net Position</b>	<b>\$1,786,854</b>	<b>\$1,837,560</b>



**Mound Street Military Careers Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

Total net position of the Academy decreased by \$50,706 or 2.8 percent. The decrease in total net position from fiscal year 2013 is primarily due to a decrease in equity in pooled cash and investments as cash disbursements exceeded cash receipts in fiscal year 2014. Current and other liabilities decreased due to a decrease in accounts payable and accrued wages and benefits for 2014.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2014 and 2013.

**Table 2  
Changes in Net Position**

	Change in Net Position	
	2014	2013
Operating Revenues:		
State Foundation	\$485,179	\$581,513
Other Revenues	14,282	40,090
Total Operating Revenues	499,461	621,603
Operating Expenses:		
Salaries	396,657	491,506
Fringe Benefits	127,979	127,341
Purchased Services	220,827	234,282
Materials and Supplies	19,936	33,046
Depreciation	10,512	10,741
Other Expenses	11,711	22,483
Total Operating Expenses	787,622	919,399
Operating Income (Loss)	(288,161)	(297,796)
Non-Operating Revenues (Expenses):		
Investment Earnings	1,984	2,421
State and Federal Grants	235,471	112,452
Other Revenue	0	4,735
Total Non-Operating Revenues (Expenses)	237,455	119,608
Change in Net Position	(50,706)	(178,188)
Net Position - Beginning of Year	1,837,560	2,015,748
Net Position - End of Year	\$1,786,854	\$1,837,560

Foundation payments decreased significantly between fiscal years but was offset by a similar increase in state and federal grants. Materials and supplies decreased due to the decrease in purchases of non-capitalized equipment and other assets. Salaries decreased due to a decrease in support personnel as a result of fewer students.

**Mound Street Military Careers Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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**Capital Assets**

At June 30, 2014, the capital assets of the Academy consisted of land in the amount of \$6,515, the building and improvements in the amount of \$183,161 off-set by \$42,843 in accumulated depreciation, furniture and equipment amounting to \$107,300 with accumulated depreciation of \$90,499, and vehicles in the amount of \$7,435 with accumulated depreciation of \$6,488 resulting in net capital assets of \$164,581. Depreciation expense for the fiscal year ended June 30, 2014 amounted to \$10,512.

See Note 4 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

**Debt**

At June 30, 2014, the Academy did not have any outstanding debt obligations. For information regarding other long-term obligations, please see Note 9 of the notes to the basic financial statements.

**Contacting the Academy**

This financial report is designed to provide a general overview of the finances of Mound Street Military Careers Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Mound Street Military Careers Academy Attn: Treasurer 354 Mound Street Dayton, Ohio 45402, (937) 223-3041.

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Mound Street Military Careers Academy  
Statement of Net Position  
June 30, 2014

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Assets:	
Current Assets:	
Equity in Pooled Cash and Investments	\$1,674,781
Receivables:	
Accounts	4,831
Intergovernmental	29,588
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Total Current Assets	1,709,200
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Noncurrent Assets:	
Nondepreciable Capital Assets	6,515
Depreciable Capital Assets, Net	158,066
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Total Noncurrent Assets	164,581
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Total Assets	1,873,781
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Liabilities:	
Current Liabilities:	
Accounts Payable	7,115
Accrued Wages and Benefits	52,174
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Total Current Liabilities	59,289
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Long-Term Liabilities:	
Compensated Absences	27,638
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Total Liabilities	86,927
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Net Position:	
Net Investment in Capital Assets	164,581
Restricted	1,568,081
Unrestricted	54,192
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Total Net Position	\$1,786,854
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See accompanying notes to the basic financial statements.

Mound Street Military Careers Academy  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2014

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Operating Revenues:	
Foundation Payments	\$485,179
Other Revenues	<u>14,282</u>
Total Operating Revenues	<u>499,461</u>
Operating Expenses:	
Salaries	396,657
Fringe Benefits	127,979
Purchased Services	220,827
Materials and Supplies	19,936
Depreciation	10,512
Other	<u>11,711</u>
Total Operating Expenses	<u>787,622</u>
Operating Income (Loss)	<u>(288,161)</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	1,984
State and Federal Grants	<u>235,471</u>
Total Non-Operating Revenues (Expenses)	<u>237,455</u>
Change in Net Position	(50,706)
Net Position - Beginning of Year	<u>1,837,560</u>
Net Position - End of Year	<u><u>\$1,786,854</u></u>

See accompanying notes to the basic financial statements.

Mound Street Military Careers Academy  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014

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Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$485,585
Other Operating Cash Receipts	18,724
Cash Payments to Employees for Salaries and Benefits	(536,723)
Cash Payments for Materials, Supplies and Other Services	(249,487)
Cash Payments for Other Expenses	<u>(16,016)</u>
Net Cash Provided (Used) by Operating Activities	<u>(297,917)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	<u>231,285</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>231,285</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	<u>(4,945)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,945)</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>1,984</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>1,984</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(69,593)
Cash and Cash Equivalents - Beginning of Year	<u>1,744,374</u>
Cash and Cash Equivalents - End of Year	<u><u>1,674,781</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(288,161)
Adjustments:	
Depreciation	10,512
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	5,564
Increase (Decrease) in Accrued Liabilities	(13,509)
Increase (Decrease) in Payables	<u>(12,323)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$297,917)</u></u>

See accompanying notes to the basic financial statements.

**Mound Street Military Careers Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

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**Note 1 – Description of the Academy and Reporting Entity**

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Mound Street Military Careers Academy (the Academy) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The Academy, which is part of the State's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Montgomery County Educational Service Center (Sponsor) for the period of July 1, 2007 through June 30, 2014 and which was extended through June 30, 2015 during March, 2014. The Academy operates under a self-appointing seven-member Board of Trustees (the Board). The Academy's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Academy has one instructional/support facility staffed by one superintendent, one principal, 12 certified teaching personnel, 7 non-certified support personnel and 1 academic coach who provide services to an enrollment of 63.51 full time equivalent students.

**Note 2 – Summary of Significant Accounting Policies**

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The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Academy's accounting policies are described below.

**Basis of Presentation**

Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise fund 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 difference between total assets and liabilities is defined as Net Position. The statement of revenues, expenses and changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total Net Position.



**Mound Street Military Careers Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**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 Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

The Board of Trustees adopts a formal budget at the beginning of the school year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The Academy Principal and Treasurer are responsible for ensuring that purchases are made within these limits. However, any variances from the budgetary amounts are presented to the Board for subsequent approval.

**Equity in Pooled Cash and Investments**

All monies received by the Academy are maintained in demand deposit accounts, a savings account, and investments. For internal accounting purposes, the Academy segregates its cash using fund accounting.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

During fiscal year 2014, the Academy investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (StarOhio). StarOhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. StarOhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in StarOhio are valued at StarOhio's share price, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2014 amounted to \$1,984.

**Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. Depreciation is computed using the straight-line method over estimated useful lives as follows: building and improvements - 30 to 50 years, furniture and equipment - 4 to 20 years, and vehicles - 6 to 8 years.

**Mound Street Military Careers Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

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**Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and various grants awarded through state and federal programs. These programs include Title I, Title II-A, Race to the Top and Part B-IDEA. The State Foundation Program and certain other state grants are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Most other federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Revenues under state and federal grant or entitlement programs for the 2014 school year totaled \$720,650.

**Accrued Liabilities Payable**

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

Accrued wages and benefits payable – payments for salary, health benefits, SERS and STRS contributions, Medicare deductions, SERS' surcharge and workers' compensation made after year-end for services rendered in fiscal year 2014. Teaching personnel are paid in 26 equal installments, ending with the first payroll in August, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2014 for the salary payments made to personnel after June 30, 2014 related to fiscal year 2014. A liability has also been recognized for health care payments made after year end for payroll services earned as of June 30, 2014.

**Compensated Absences**

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Academy has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Academy's termination policy. The Academy records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Academy.

The entire compensated absences liability is reported on the basic financial statements.

The Academy does not record a liability for personal and vacation leave because its policy is not to pay out accumulated personal and vacation leave balances upon termination of employment.

**Net Position**

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

**Mound Street Military Careers Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

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As of June 30, 2014, of the Academy's \$1,568,081 in restricted net position, none was restricted by enabling legislation.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly by the Academy's primary mission as well as other charges for services and other operating revenues. For the Academy, operating revenues include foundation payments received from the State of Ohio as well as other operating revenues. Operating expenses are necessary costs incurred to support the Academy's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various state and federal grants, as well as interest revenue and other non-operating revenue, comprise the non-operating revenues of the Academy. The Academy reported no non-operating expenses for fiscal year 2014.

**Federal Tax Exemption Status**

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

**Estimates**

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

**Note 3 – Deposits and Investments**

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**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Academy's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of June 30, 2014, the Academy's \$1,049,570 of the bank balance of \$1,367,078 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

**Investments**

Investments are reported at fair value. As of June 30, 2014, the Academy had the following investment:

**Mound Street Military Careers Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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	Fair Value	Weighted Average Maturity (Yrs.)
StarOhio	<u>\$ 300,731</u>	Less than 1 year

The Academy's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Academy will not directly invest in securities maturing more than five years from the date of purchase. The Academy's investment policy does not address this risk.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in StarOhio were rated AAAM by Standard & Poor's. The Academy's policy does not address credit risk for investments.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Academy has invested 100 percent in investments with a weighted average maturity of less than one year. The Academy's investment policy does not address this risk.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Academy's investments are either insured and registered in the name of the Academy or at least registered in the name of the Academy. The Academy does not have a policy for custodial credit risk.

**Note 4 – Capital Assets**

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A summary of the Academy's capital assets at June 30, 2014, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$6,515	\$0	\$0	\$6,515
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	179,667	3,494	0	183,161
Furniture and Equipment	105,849	4,945	3,494	107,300
Vehicles	<u>7,435</u>	<u>0</u>	<u>0</u>	<u>7,435</u>
Totals at Historical Cost	<u>299,466</u>	<u>8,439</u>	<u>3,494</u>	<u>304,411</u>
Less Accumulated Depreciation:				
Buildings and Improvements	36,779	6,064	0	42,843
Furniture and Equipment	88,260	3,637	1,398	90,499
Vehicles	<u>5,677</u>	<u>811</u>	<u>0</u>	<u>6,488</u>
Total Accumulated Depreciation	<u>130,716</u>	<u>10,512</u>	<u>1,398</u>	<u>139,830</u>
Governmental Activities Capital Assets, Net	<u>\$168,750</u>	<u>(\$2,073)</u>	<u>\$2,096</u>	<u>\$164,581</u>

**Mound Street Military Careers Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 5 – Risk Management**

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Property and liability – The Academy is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Academy contracted with Cincinnati Insurance Company for business personal property, director and officer liability, auto, and general liability insurance. Auto coverage for comprehensive and collision has a \$1,000,000 limit. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The Cincinnati Insurance Company also provides umbrella liability coverage of \$4,000,000 per occurrence, as well as, in the aggregate.

There has been no reduction in coverage from the prior year and settled claims have not exceeded the Academy's coverage in any of the past three years.

Employee insurance benefits – The Academy offers health and dental insurance benefits to employees of whom the Academy pays 80 percent and the employee pays 20 percent of the premiums. The Academy also offers life insurance to its employees of which it pays 100 percent of the premiums. Health and life insurance benefits are administered by Anthem. Dental insurance benefits are administered by Superior. The Academy also adopted a Health Savings Account Lumenos Option 3 medical plan.

**Note 6 – Defined Benefit Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% 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 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, 2014, 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, 2014, 2013, and 2012 were \$16,241, \$15,676, and \$8,460, respectively; 87% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012. \$2,082 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability.

**Mound Street Military Careers Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**State Teachers Retirement System of Ohio**

Plan Description

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. 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. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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 DC 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 DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and 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) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase 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 31<sup>st</sup> 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, a 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

**Mound Street Military Careers Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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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.

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

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The Academy's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$44,652, \$54,642, and \$56,118, respectively; 87% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School

**Mound Street Military Careers Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

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Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, there were no members participating in Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 7- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was .76%. Academy contributions for the years ended June 30, 2014, 2013 and 2012 were \$858, \$828, and \$459, respectively, 87% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012



**Mound Street Military Careers Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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were \$186, \$179, and \$864, respectively; 87% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012.

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

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

**State Teachers Retirement System of Ohio**

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

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

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The Academy contributions for the years ended June 30, 2014, 2013, and 2012 were \$3,189, \$3,903, and \$4,008, respectively; 87% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Note 8 – Contingencies**

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**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 Academy. However, the

**Mound Street Military Careers Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time.

**Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of the review could result in state funding being adjusted. The Ohio Department of Education has completed its review of the Academy’s enrollment data for fiscal year 2014, and it was determined that the amount due to ODE was immaterial to the financial statements.

**Note 9 – Long-Term Obligations**

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Changes in long-term obligations of the Academy during fiscal year 2014 were as follows:

	Balance Outstanding <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>June 30, 2014</u>	Amount Due in <u>One Year</u>
Compensated Absences	\$28,416	\$0	\$778	\$27,638	\$0

**Note 10 – Related Parties**

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The Superintendent and Treasurer of Mound Street Military Careers Academy serve in the same capacity for Mound Street Health Careers Academy and Mound Street IT Careers Academy. Members of the Board of Trustees for Mound Street Military Careers Academy are permitted to serve on an additional Board from either the Mound Street Health Careers Academy or Mound Street IT Careers Academy until January, 2014. As of January, 2014, all of the Board of Trustees serve on all three Academy Boards. Transactions between the three Academies are insignificant.

**Note 11 – Other Purchased Services**

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During the fiscal year ended June 30, 2014, other purchased service expenses for services rendered by various vendors were as follows:

Professional & Technical Services	\$92,829
Property Services	32,313
Travel Mileage/Meeting Expense	3,854
Communications	4,573
Utilities Services	17,995
Contracted Craft or Trade Services	54,378
Tuition	5,417
Pupil Transportation Services	9,468
Total Other Purchased Services	<u><u>\$220,827</u></u>

**Mound Street Military Careers Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

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**Note 12 – Receivables**

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At June 30, 2014, the Academy had accounts and intergovernmental receivables of \$4,831 and \$29,588, respectively, which are considered collectible within one year and are presented on the statement of Net Position.

**Note 13 – Change in Accounting Principles**

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The Academy adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Academy. This implementation had no effect on the Academy's financial statements.

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Members of the Board  
Mound Street Military Careers Academy  
354 Mound Street  
Dayton, Ohio 45402

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mound Street Military Careers Academy, Montgomery 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, and have issued our report thereon dated December 17, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 17, 2014

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# Dave Yost • Auditor of State

**MOUND STREET MILITARY CAREERS ACADEMY**

**MONTGOMERY 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  
MAY 7, 2015**