MIAMI VALLEY ACADEMIES
MONTGOMERY COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Dave Yost • Auditor of State

Board of Trustees
Miami Valley Academies
5656 Springboro Pike
Moraine, Ohio 45449

We have reviewed the *Report of Independent Accountants* of the Miami Valley Academies, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Miami Valley Academies is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

February 15, 2011

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MIAMI VALLEY ACADEMIES
MONTGOMERY COUNTY
For the Year Ending June 30, 2010

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REPORT OF INDEPENDENT ACCOUNTANTS

Miami Valley Academies
Montgomery County
5656 Springboro Pike
Moraine, Ohio 45449

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Miami Valley Academies, Montgomery County (the School) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2010 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
December 28, 2010

The discussion and analysis of Miami Valley Academies' (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010. 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 statement and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* issued June, 1999. Certain comparative information between the current year and the prior year is required to be present and is presented in the MD&A.

Financial Highlights

Key financial highlights for the fiscal year 2010 are as follows:

- Total net assets of the Academy increased by $142,366, including $1,436 of depreciation expense for the fiscal year.

- Total assets increased $41,725, which represents a 153 percent increase from the prior year due to the additional capital assets, which is attributable to recording current year depreciation, and recognition of several intergovernmental receivables. The Academy also saw the cash balance increase for this year.

- Overall, the Academy's total revenue was $67,058 more than the prior year primarily resulting from additional federal and state grant revenue associated with the stimulus programs. This coupled with the Academy's reduction in expenses of $39,128 allowed the net assets to increase for the fiscal year.

Using this 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 statement. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, 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 information is the same.

Statement of Net Assets

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

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

Table 1 provides a summary of the Academy's net assets for fiscal year 2010 compared with fiscal year 2009.

(Table 1)
Net Assets

	2010	2009
Assets		
Current and other assets	$54,726	$25,430
Capital Assets, Net	14,208	1,799
Total Assets	68,954	27,229
Liabilities		
Current Liabilities	121,853	206,262
Non-Current Liabilities	0	16,232
Total Liabilities	121,853	222,494
Net Assets		
Invested in Capital Assets	5,233	(64,603)
Restricted	21,593	15,755
Unrestricted	(79,725)	(146,417)
Total Net Assets	($52,899)	($195,265)

The Academy's total net assets increased by $142,366 during fiscal year 2010. The increase resulted from the decrease in expenses from the prior year with additional revenue from the stimulus programs over the prior year.

As shown in Table 1 above, total current assets of the Academy increased by $29,296 from those reported at June 30, 2009. The increase mainly resulted from the Academy recognizing grants receivable for fiscal year 2010. Cash on hand at June 30, 2010 was $29,703 compared with $25,360 reported the prior year. The increase in cash is attributable to reducing expenses not related to the additional grant programs.

Total liabilities of the Academy decreased $100,641 over those reported at June 30, 2009. The Academy paid down $57,427 on the note payable which resulted in the reduction for the fiscal year. There was also a significant reduction in accrued wages as the Academy reduced the number of staff.

Table 2 shows the changes in net assets for fiscal year 2010 and fiscal year 2009, as well as a listing of revenues and expenses.

TABLE 2
CHANGE IN NET ASSETS

	2010	2009
Operating Revenues:		
Foundation payments	$998,904	$1,135,165
Other operating revenues	10,481	8,973
Non Operating Revenues		
State and federal grants	472,926	271,115
Total Revenue	1,482,311	1,415,253
Operating Expenses:		
Salaries	638,033	722,061
Fringe Benefits	170,188	169,088
Management and Fiscal Services	194,786	150,539
Property Services	112,678	138,045
Other Purchased Services	94,468	131,847
Materials and Supplies	119,274	24,391
Depreciation	1,436	3,795
Other Expenses	3,320	30,588
Non Operating Expenses:		
Interest and Fiscal Charges	5,762	8,719
Total Expenses	1,339,945	1,379,073
Changes in net assets	142,366	36,180
Net assets, beginning of year	(195,265)	(231,445)
Net assets, end of year	($52,899)	($195,265)

Total revenue for the Academy increased $67,058 in fiscal year 2010 compared with fiscal year 2009. The Academy participated in the federal grant stimulus program, which resulted in additional revenues. The Academy did realize a reduction in state foundation funding as the number of students for the fiscal year was less than the prior year.

Total expenses of the Academy reported for the fiscal year were $39,128 less than the previous fiscal year. Payroll and related benefit costs decreased by $82,928 over fiscal year 2009 as the Academy reduced staff with the lower number of students. Materials and supplies increased significantly as the Academy was able to purchase some capital related items that did not meet the criteria for capitalization.

Capital Assets

At June 30, 2010, the capital assets of the Academy consisted of $779,250 of equipment and leasehold improvements offset by $765,042 in accumulated depreciation resulted in net capital assets of $14,208.

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

Debt

At June 30, 2010 the debt obligations of the Academy consisted of a note payable of $8,975, which paid off within the next year. See Note 5 to the basic financial statement for additional details.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Miami Valley Academy, Inc. 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: Miami Valley Academies, 5656 Springboro Pike, Moraine, OH 45449.

MIAMI VALLEY ACADEMIES
Statement of Net Assets

JUNE 30, 2010

Assets:	
Current assets:	
Cash	$ 29,703
Accounts receivable	585
Intergovernmental receivable	24,458
Total current assets	54,746
Noncurrent assets:	
Capital assets, net depreciation	14,208
Total noncurrent assets	14,208
Total Assets	68,954
Liabilities:	
Current liabilities	
Accounts payable	31,238
Accrued wages and benefits	65,175
Intergovernmental payable	16,465
Notes Payable, Due within one year	8,975
Total current liabilities	121,853
Total Liabilities	121,853
Net Assets:	
Invested in capital assets, net of related debt	5,233
Restricted	21,593
Unrestricted	(79,725)
Total net assets	$ (52,899)

See accompanying notes to the basic financial statements

MIAMI VALLEY ACADEMIES
Statement of Revenues, Expenses and Changes In Net Assets

Year Ended June 30, 2010

Operating Revenues:		
State foundation	$	957,751
Poverty Based Assistance		41,153
Tuition and fees		6,113
Charges for services		2,594
Other operating revenues		1,774
Total operating revenues		1,009,385
Operating Expenses:		
Salaries and wages		638,033
Fringe benefits		170,188
Purchased services:		
Contract management and fiscal services		194,786
Property services		112,678
Other		94,468
Materials and supplies		119,274
Depreciation		1,436
Other expenses		3,320
Total operating expenses		1,334,183
Operating loss		(324,798)
Nonoperating revenues (expenses):		
Federal grants		408,113
State grants		64,813
Interest and fiscal charges		(5,762)
Total nonoperating revenues (expenses)		467,164
Change in net assets		142,366
Net assets, beginning of year		(195,265)
Net assets, end of year	$	(52,899)

See accompanying notes to the basic financial statements

MIAMI VALLEY ACADEMIES
Statement of Cash Flows

Year Ended June 30, 2010

Cash flows from operating activities:		
Cash received from State of Ohio - Foundation	$	957,751
Cash received from State of Ohio - Poverty Aid		41,153
Cash received from customers		8,322
Cash received from other operating revenues		1,644
Cash payments for personal services		(848,913)
Cash payments for contract services		(523,728)
Cash payments for supplies and materials		(3,320)
Net cash used by operating activities		(367,091)
Cash flows from noncapital financing activities:		
Cash received from state and federal grants		448,468
Cash flows from capital and related financing activities:		
Acquisition of Capital Assets		(13,845)
Principal paid on debt obligations		(57,427)
Interest paid on debt obligations		(5,762)
Net cash used by capital and related financing activities		(77,034)
Net change in cash and cash equivalents		4,343
Cash and Cash Equivalents at beginning of year		25,360
Cash and Cash Equivalents at end of year	$	29,703

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

Operating loss	$	(324,798)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		1,436
Change in assets and liabilities:		
Accounts receivable		(515)
Accounts payable		(2,717)
Accrued wages and benefits		(32,564)
Intergovernmental payable		(7,933)
Net cash used by operating activities	$	(367,091)

See accompanying notes to the basic financial statements

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1. Description of the Academy and Reporting Entity:

Miami Valley Academies (the "Academy") is a state nonprofit corporation established pursuant to 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 State education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing with fiscal year July 1, 2001 through June 1, 2005 after which the Thomas B. Fordham Foundation sponsored the Academy through May 2006. From May 2006 to June 30, 2010, Educational Resource Consultants of Ohio has sponsored the Academy. For fiscal year 2011, Kids Count of Dayton took over as the Academy's sponsor.

The Academy operates under a self-appointing five-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 to provide educational services to an enrollment of 163 students.

2. Summary of Significant Accounting Policies:

The financial statement of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards (FASB) statements and interpretations on or before November 30, 1989, provided that they do not conflict with or contradict GASB pronouncements; however the Academy has elected not to follow any FASB statements or interpretations after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of presentation

Enterprise accounting is used to account for operations that are financed and operated in 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 appropriated for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement focus and basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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.

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 the Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with the 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 Academy's Board 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.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the cash is segregated into various funds.

E. 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.

F. Capital assets and depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of $500. 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 of furniture and equipment is computed using the straight-line method over estimated useful lives of five to ten years. Improvements to capital are depreciated over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated over the life of the lease agreement of six years.

G. Intergovernmental revenues

The Academy currently participates in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and State educational grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and non-operating revenues and expenses

Operating revenues are those revenues that are generated directly to the Academy's primary mission. For the Academy, operating revenues include foundation payments received from the State of Ohio and certain charges to students recorded as tuition and fees. 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 and interest expense comprise the non-operating revenues and expenses of the Academy.

I. Accrued liabilities payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2010, including:

Wages Payable – salary payments made after year-end that were for serviced rendered in fiscal year 2010. Teaching personnel are paid in 26 equal installments, ending with the last pay period in August, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2010 for all salary payments made to teaching personnel during the months of July and August 2010.

Intergovernmental payable – payment for the employer's share of the retirement contribution ($8,946), associated with services rendered during fiscal year 2010, but were not paid until the subsequent fiscal year is the major expense in this category.

J. Federal tax exemption status

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when they 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 assets are available.

3. Deposits and Investments:

The Academy does not have a policy addressing custodial credit risk for its deposits. At June 30, 2010, the carrying amount of the Academy's deposits was $29,703 and the bank balance was $53,914, the entire balance of which was covered by federal depository insurance.

4. Capital Assets:

A summary of the Academy's capital assets at June 30, 2010, follows:

	Beginning Balance	Additions	Deletions	Ending Balances
Capital assets being depreciated:				
Leasehold Improvements	$557,579	$0	$0	$557,579
Equipment	207,826	13,845	0	221,671
Total Capital Assets	765,405	13,845	0	779,250
Less: accumulated depreciation on:				
Leasehold Improvements	(557,579)	0	0	(557,579)
Equipment	(206,027)	(1,436)	0	(207,463)
Total Depreciation	(763,606)	(1,436)	0	(765,042)
Capital assets, net	$1,799	$12,409	$0	$14,208

5. Debt Obligations:

The following is a summary of the note activity for the Academy for the year ended June 30, 2010:

	Balance 6/30/09	Additions	Deletions	Balances 6/30/10	Amount Due within One Year
Farmers and Merchants Bank, 9.10%	$66,402	$-	$57,427	$8,975	$8,975

During fiscal year 2002, the Academy entered into a note agreement with Farmers and Merchants Bank in order to finance leasehold improvements. On September 4, 2004, the Academy refinanced the balance of the 2002 note payable to the Farmers and Merchants Bank to payoff the existing loan and finance the purchase and renovation of a new school building.

Future principal and interest payments associated with the long-term notes payable are as follows:

	Principal	**Interest**
2011	$8,975	$130

6. Risk Management:

Property and liability – The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Academy contracted with the Cincinnati Insurance Company for business personal property and general liability insurance. Business personal property coverage carries $2,000,000 limit, and has a $1,000 deductible. General liability coverage is set at $1,000,000 in the aggregate with a $5,000 deductible. Errors and Omissions insurance is provided through National Union Fire Insurance Company with a $1,000,000 limit and $5,000 deductible.

There has been no significant reduction in coverage in relation to the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

Employee insurance benefits – The Academy provides medical benefits through Aetna.

7. Defined Benefits Pension Plan:

A. School Employee Retirement System

Plan Description - The School District 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were $4,834, $4,934, and $1,229 respectively; 92 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. 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.

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

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, 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 School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were $75,261, $86,809, and $90,523 respectively; 89 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were $9,395 made by the School District and $6,711 made by the plan members.

8. Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District 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 2010, 0.46 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 2010, this amount was $35,800.

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 School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $174, $2,307, and $561 respectively; 92 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2010, 2009 and 2008 were $287, $358 and $89, 92 percent has been contributed for fiscal year 2010 with 100% for fiscal year 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The School District 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $5,789, $6,678, and $6,963 respectively; 89 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

9. Restricted Net Assets:

At June 30, 2010 the Academy reported restricted net assets totaling $21,593. The nature of the net asset restrictions are as follows:

Title I Grant	$18,501
ARRA Title I Grant	3,061
Drug Free Act Grant	31
Total	$21,593

10. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustments by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not yet determinable. However, in the opinion of the Academy any such disallowed claims will not have a material adverse effect on the financial position of the Academy.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the Academy. 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 this review could result in state funding being adjusted. The Ohio Department of Education completed its review of the Academy's enrollment data for fiscal year 2010 which did not result in any adjustment to the funding received.

C. Litigation

A lawsuit entitled ***Beverly Blount-Hill, et al. v. State of Ohio, et al. Case #3:04CV197*** was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

11. Operating Leases:

The Academy leases its facilities from B.F. Hill Investments, Inc. under a six –year lease agreement beginning July 1, 2002 through June 30, 2008 that was extended on a monthly basis for 2009 and 2010. Rent for fiscal year 2010 totaled $112,678. The terms of the lease are not expected to change significantly during fiscal year 2011.

12. Other Purchased Services:

During the fiscal year ended June 30, 2010, other purchased services rendered by various venders were as follows:

Professional and technical services	$197,786
Property Services	112,678
Utilities	31,886
Contracted Craft or Trade Service	49,150
Meeting and travel	9,481
Communications	951
	$401,932

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

Miami Valley Academies
Montgomery County
5656 Springboro Pike
Moraine, Ohio 45449

To the Board of Trustees:

We have audited the financial statements of the Miami Valley Academies, Montgomery County (the School) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 28, 2010. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 grants agreements, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the School in a separate letter dated December 28, 2010.

We intend this report solely for the information and use of management, the finance committee, the Board of Trustees and others within the School. We intend it for no one other than these specified parties.

Charles E. Harris & Associates, Inc.
December 28, 2010

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2009, reported no material citations or recommendations.

MIAMI VALLEY ACADEMICS

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
MARCH 1, 2011

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