MIAMI VALLEY ACADEMIES
MONTGOMERY COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

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

Mary Taylor, CPA
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, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 8, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

MIAMI VALLEY ACADEMIES
MONTGOMERY COUNTY
For the Years Ending June 30, 2009

TABLE OF CONTENTS

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

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 (the School) as of and for the year ended June 30, 2009, 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, 2009, 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 23, 2009 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 23, 2009

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, 2009. 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 2009 are as follows:

- Total net assets of the Academy increased by $36,180, including $3,795 of depreciation expense for the fiscal year.

- Total assets decreased $17,493, which represents a 39 percent decrease from the prior year due to the decrease in net capital assets, which is attributable to recording current year depreciation, and reduction in intergovernmental receivables. The Academy was able to drawn down the state and federal grants before the end of the fiscal year resulting in no accrual.

- Overall, the Academy's total revenue was $7,819 more than the prior year primarily resulting from charges for food sales. While expenses decreased by $89,395 compared with the prior year. The decrease in operating expenses was primarily due to the Academy's reduction in depreciation expense as the leasehold improvements were fully depreciated at the end of 2008.

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 2009 compared with fiscal year 2008.

(Table 1)
Net Assets

	2009	2008
Assets		
Current and other assets	$25,430	$39,128
Capital Assets, Net	1,799	5,594
Total Assets	27,229	44,722
Liabilities		
Current Liabilities	206,262	209,765
Non-Current Liabilities	16,232	66,402
Total Liabilities	222,494	276,167
Net Assets		
Invested in Capital Assets	(64,603)	(108,061)
Restricted	15,755	5,478
Unrestricted	(146,417)	(128,862)
Total Net Assets	($195,265)	($231,445)

The Academy's total net assets increased by $36,180 during fiscal year 2009. The increase resulted from the decrease in expenses from the prior year with a slight increase in revenue over the prior year.

As shown in Table 1 above, total current assets of the Academy decreased by $13,698 from those reported at June 30, 2008. The decrease resulted from the Academy recognizing grants receivable for fiscal year 2008. Cash on hand at June 30, 2009 was $25,360 compared with $1,497 reported the prior year. The increase in cash is attributable to collecting all the federal and state grants within the 2009 fiscal year.

Total liabilities of the Academy decreased $53,673 over those reported at June 30, 2008. The Academy paid down $47,253 on the note payable which resulted in the reduction for the fiscal year. There was also a reduction in accounts payable as the Academy was able to pay the outstanding invoices in a timely manner.

Table 2 shows the changes in net assets for fiscal year 2009 and fiscal year 2008, as well as a listing of revenues and expenses.

TABLE 2
CHANGE IN NET ASSETS

	2009	2008
Operating Revenues:		
Foundation payments	$1,135,165	$1,177,161
Other operating revenues	77,376	75,373
Non Operating Revenues		
State and federal grants	202,712	154,900
Total Revenue	1,415,253	1,407,434
Operating Expenses:		
Salaries	722,061	705,205
Fringe Benefits	169,088	178,532
Management and Fiscal Services	150,539	140,240
Property Services	138,045	145,307
Other Purchased Services	131,847	110,813
Materials and Supplies	24,391	38,936
Depreciation	3,795	105,200
Other Expenses	30,588	32,601
Non Operating Expenses:		
Interest and Fiscal Charges	8,719	11,634
Total Expenses	1,379,073	1,468,468
Changes in net assets	36,180	(61,034)
Net assets, beginning of year	(231,445)	(170,411)
Net assets, end of year	($195,265)	($231,445)

Total revenue for the Academy increased $7,819 in fiscal year 2009 compared with fiscal year 2008. Decreases in the number of students enrolled in the Academy along with a slight increase in the per-pupil funding amount resulted in about a 4 percent reduction in foundation revenue. The additional revenue from state and federal grants helped increase the overall revenue number. The Academy continues to evaluate grant programs for applicable costs and apply those that are qualified programs.

Total expenses of the Academy reported for the fiscal year were $89,395 less than the previous fiscal year. Payroll and related benefit costs increased by $7,412 over fiscal year 2008 as the Academy was able to control the cost associated with benefits. The Academy did provide salary increases to the employees that have been working with the Academy over the past several years.

Capital Assets

At June 30, 2009, the capital assets of the Academy consisted of $765,405 of equipment and leasehold improvements offset by $763,606 in accumulated depreciation resulted in net capital assets of $1,799.

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

Debt

At June 30, 2009 the debt obligations of the Academy consisted of a note payable of $66,402, of which $50,170 is due 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, 2009

Assets:	
Current assets:	
Cash	$ 25,360
Accounts receivable	70
Total current assets	25,430
Noncurrent assets:	
Capital assets, net depreciation	1,799
Total noncurrent assets	1,799
Total Assets	27,229
Liabilities:	
Current liabilities	
Accounts payable	33,955
Accrued wages and benefits	97,739
Intergovernmental payable	24,398
Notes Payable, Due within one year	50,170
Total current liabilities	206,262
Long Term Notes Payable, Due in more than one year	16,232
Total Liabilities	222,494
Net Assets:	
Invested in capital assets, net of related debt	(64,603)
Restricted	15,755
Unrestricted	(146,417)
Total net assets	$ (195,265)

See accompanying notes to the basic financial statements

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

Year Ended June 30, 2009

Operating Revenues:	
State foundation	$ 1,083,879
Special education	51,286
Tuition and fees	7,164
Charges for services	69,593
Other operating revenues	619
Total operating revenues	1,212,541
Operating Expenses:	
Salaries and wages	722,061
Fringe benefits	169,088
Purchased services:	
Contract management and fiscal services	150,539
Property services	138,045
Other	131,847
Materials and supplies	24,391
Depreciation	3,795
Other expenses	30,588
Total operating expenses	1,370,354
Operating loss	(157,813)
Nonoperating revenues (expenses):	
Federal grants	195,971
State grants	6,741
Interest and fiscal charges	(8,719)
Total nonoperating revenues (expenses)	193,993
Change in net assets	36,180
Net assets, beginning of year	(231,445)
Net assets, end of year	$ (195,265)

See accompanying notes to the basic financial statements

MIAMI VALLEY ACADEMIES
Statement of Cash Flows

Year Ended June 30, 2009

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 1,135,165
Cash received from customers	76,687
Cash received from other operating revenues	619
Cash payments for personal services	(893,115)
Cash payments for contract services	(449,276)
Cash payments for supplies and materials	(30,588)
Net cash used by operating activities	(160,508)
Cash flows from noncapital financing activities:	
Cash received from state and federal grants	240,343
Cash flows from capital and related financing activities:	
Principal paid on debt obligations	(47,253)
Interest paid on debt obligations	(8,719)
Net cash used by capital and related financing activities	(55,972)
Net change in cash and cash equivalents	23,863
Cash and Cash Equivalents at beginning of year	1,497
Cash and Cash Equivalents at end of year	$ 25,360

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

Operating loss	$ (157,813)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	3,795
Change in assets and liabilities:	
Accounts receivable	(70)
Accounts payable	(3,435)
Accrued wages and benefits	4,823
Intergovernmental payable	(7,808)
Net cash used by operating activities	$ (160,508)

See accompanying notes to the basic financial statements

This page intentionally left blank

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 the present, Educational Resource Consultants of Ohio has sponsored the Academy.

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 167 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, 2009, including:

Wages Payable – salary payments made after year-end that were for serviced rendered in fiscal year 2009. 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, 2009 for all salary payments made to teaching personnel during the months of July and August 2009.

Intergovernmental payable – payment for the employer's share of the retirement contribution ($12,985), associated with services rendered during fiscal year 2009, 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, 2009, the carrying amount of the Academy's deposits was $25,360 and the bank balance was $40,778, 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, 2009, follows:

	Beginning Balance	Additions	Deletions	Ending Balances
Capital assets being depreciated:				
Leasehold Improvements	$557,579	$0	$0	$557,579
Equipment	207,826	0	0	207,826
Total Capital Assets	765,405	0	0	765,405
Less: accumulated depreciation on:				
Leasehold Improvements	(557,579)	0	0	(557,579)
Equipment	(202,232)	(3,795)	0	(206,027)
Total Depreciation	(759,811)	(3,795)	0	(763,606)
Capital assets, net	$5,594	($3,795)	$0	$1,799

5. Debt Obligations:

The following is a summary of the note activity for the Academy for the year ended June 30, 2009:

	Balance 6/30/08	Additions	Deletions	Balances 6/30/09	Amount Due within One Year
Farmers and Merchants Bank, 9.10%	$113,655	$-	$47,253	$66,402	$50,170

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**
2010	$50,170	$5,762
2011	16,232	130
Total	$66,402	$5,892

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 2009, 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. State Employees 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 2009, 9.09 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, 2009, 2008, and 2007 were $4,934, $1,229, and $2,878 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, 2009, 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 2008, 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, 2009, 2008, and 2007 were $86,809, $90,523, and $90,868 respectively; 88 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were $0 made by the School District and $7,178 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 2009, 4.25 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 2009, this amount was $0.

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, 2009, 2008, and 2007 were $2,307, $561, and $3,067 respectively; 6.83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2009 and 2008 (2008 was the first year required disclosure) was $358 and $89, 83 percent has been contributed for fiscal year 2009 with 100% for fiscal year 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 2009, 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, 2009, 2008, and 2007 were $6,678, $6,963, and $6,990 respectively; 88 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

9. Restricted Net Assets:

At June 30, 2009 the Academy reported restricted net assets totaling $15,755. The nature of the net asset restrictions are as follows:

School Net Professional Grant	$3,381
Title II Grant	11,086
Title VI Grant	311
Drug Free Act Grant	775
Improving Teacher Quality Grant	202
Total	$15,755

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 2009 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. Rent for fiscal year 2009 totaled $113,680. The terms of the lease are not expected to change significantly during fiscal year 2010.

12. Other Purchased Services:

During the fiscal year ended June 30, 2009, other purchased services rendered by various venders were as follows:

Professional and technical services	$150,539
Property Services	138,045
Utilities	39,942
Contracted Craft or Trade Service	71,245
Meeting and travel	8,744
Communications	9,836
Pupil transportation	2,080
	$420,431

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc. Office phone - (216) 575-1630
Certified Public Accountants Fax - (216) 436-2411

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS 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 (the "School") as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued a report thereon dated December 23, 2009. 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 expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, 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 that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we have reported to management of the School in a separate letter dated December 23, 2009.

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
December 23, 2009

MIAMI VALLEY ACADEMIES
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2009

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-MVA-01	The School incorrectly reported Long-Term Debt and Interest and Fiscal Charges at June 30, 2008.	Yes	School properly reported balances for Long-Term Debt and Interest and Fiscal Charges at June 30, 2009.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

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

Accordingly, we have performed the procedures enumerated below, which we agreed to by the Board, solely to assist the Board in evaluating whether the Miami Valley Academies has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any purpose.

1. We noted that the Board revised its anti-harassment policy at its meeting on May 20, 2008.

2. We read the policy, noting it included the following requirements for Ohio Revised Code Section 3313.666 (B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any students on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

(5) A requirement that parents or guardians of any student involved in a prohibited incident to be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any report incidents;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure from any student guilty of harassment, intimidation or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all report incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Charles E. Harris & Associates, Inc.
December 23, 2009

Mary Taylor, CPA
Auditor of State

MIAMI VALLEY ACADEMIES

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 23, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us