

***MIAMI VALLEY ACADEMIES  
MONTGOMERY COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEAR ENDED JUNE 30, 2014***







# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Miami Valley Academies, Montgomery County, prepared by Charles E. Harris & Associates, 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 Miami Valley Academies is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

February 19, 2015

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**MIAMI VALLEY ACADEMIES  
MONTGOMERY COUNTY  
For the Year Ending June 30, 2014**

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**REPORT OF INDEPENDENT AUDITORS**

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

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Miami Valley Academies (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Academy's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Miami Valley Academies as of June 30, 2014, and the change in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.


***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2014 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
December 20, 2014



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**Miami Valley Academies**  
**Montgomery County, Ohio**  
Managements Discussion and Analysis  
For the Year Ended June 30, 2014  
(unaudited)

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, 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 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 2014 are as follows:

- Total net position of the Academy increased by \$90,800 as the Academy's revenues increased thanks to higher student counts.
- Total assets increased \$145,486 as cash saw an increase of \$99,043 and the capital assets increased as well with a capital lease and note payable items being recorded.
- Overall, the Academy's total revenue increased over twenty-one percent from fiscal year 2013.

### **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 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 information is the same.

#### *Statement of Net position*

The Statement of Net Position 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 position, 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.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
 Managements Discussion and Analysis  
 For the Year Ended June 30, 2014  
 (unaudited)

Table 1 provides a summary of the Academy's net position for fiscal year 2014 compared with fiscal year 2013.

(Table 1)  
**Net Position**

	2014	2013
<b>Assets</b>		
Current and Other Assets	\$208,355	\$136,485
Capital Assets, Net	127,991	54,375
<b>Total Assets</b>	<b>336,346</b>	<b>190,860</b>
<b>Liabilities</b>		
Current Liabilities	164,668	129,207
Long Term Liabilities	19,225	0
<b>Total Liabilities</b>	<b>183,893</b>	<b>129,207</b>
<b>Net Position</b>		
Net Investment in Capital Assets	87,207	54,375
Restricted	40,944	13,614
Unrestricted	24,302	(6,336)
<b>Total Net position</b>	<b>\$152,453</b>	<b>\$61,653</b>

The Academy's total net position increased by \$90,800 during fiscal year 2014. The Academy saw the cash increase by \$99,043 during the year as the Academy saw the state foundation revenue increase by over twenty-seven percent. Capital assets increased with the two projects being capitalized.

Total liabilities of the Academy increased \$54,686 over those reported at June 30, 2013. The majority of the increase relates capital lease obligations.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
 Managements Discussion and Analysis  
 For the Year Ended June 30, 2014  
 (unaudited)

Table 2 shows the changes in net position for fiscal year 2014 and fiscal year 2013, as well as a listing of revenues and expenses.

**TABLE 2**  
**CHANGE IN NET POSITION**

	2014	2013
Operating Revenues:		
Foundation payments	\$1,436,017	\$1,172,751
Other operating revenues	8,909	11,279
Non Operating Revenues		
State and federal grants	381,503	315,844
Total Revenue	<u>1,826,429</u>	<u>1,499,874</u>
Operating Expenses:		
Salaries	767,880	754,391
Fringe Benefits	162,054	153,287
Management and Fiscal Services	279,478	183,343
Property Services	167,392	173,964
Other Purchased Services	204,517	179,759
Materials and Supplies	112,109	70,490
Depreciation	35,610	20,265
Other Expenses	4,901	20,539
Interest	1,688	0
Total Expenses	<u>1,735,629</u>	<u>1,556,038</u>
Changes in net position	90,800	(56,164)
Net position, beginning of year	<u>61,653</u>	<u>117,817</u>
Net position, end of year	<u>\$152,453</u>	<u>\$61,653</u>

Total revenue for the Academy increased \$326,555 in fiscal year 2014 compared with fiscal year 2013. The Academy did realize an increase in state foundation funding as the number of students for the fiscal year increased from the prior year and more student were eligible for grant funding.

Total expenses for the Academy reported for the fiscal year were \$179,591 more than the prior year as the Academy brought back professional services that were reduced during fiscal year 2013. Payroll and related benefit costs also increased by \$22,256 over fiscal year 2013 as the Academy increased employment.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
Managements Discussion and Analysis  
For the Year Ended June 30, 2014  
(unaudited)

**Capital Assets**

At June 30, 2014, the capital assets of the Academy consisted of \$975,190 of equipment and leasehold improvements offset by \$847,299 in accumulated depreciation resulted in net capital assets of \$127,991.

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

**Debt**

At June 30, 2014, the Academy had a capital lease obligation of \$10,750 and a note payable of \$30,035. See notes 11, 12 and 13 of the notes to the basic financial statements for additional information on the Academy's long term obligations.

**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**  
**Montgomery County, Ohio**  
**Statement of Net Position**

**JUNE 30, 2014**

**Assets:**

Current assets:

Cash	\$ 119,769
Accounts receivable	490
Intergovernmental receivable	88,096

Total current assets	<u>208,355</u>
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Noncurrent assets:

Capital assets, net depreciation	127,991
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Total noncurrent assets	<u>127,991</u>
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<b>Total Assets</b>	<u><u>336,346</u></u>
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**Liabilities:**

Current liabilities

Accounts payable	18,154
Accrued wages and benefits	85,984
Intergovernmental payable	37,857
Accrued interest payable	1,114
Note Payable	14,555
Lease Payables	7,004

Total current liabilities	<u>164,668</u>
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Long term liabilities

Note Payable, noncurrent	15,480
Lease Payables, noncurrent	3,745

Total Long term liabilities	<u>19,225</u>
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<b>Total Liabilities</b>	<u>183,893</u>
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**Net Position:**

Net invested in capital assets	87,207
Restricted	40,944
Unrestricted	24,302

<b>Total Net Position</b>	<u><u>\$ 152,453</u></u>
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See accompanying notes to the basic financial statements

**MIAMI VALLEY ACADEMIES**  
**Montgomery County, Ohio**  
**Statement of Revenues, Expenses and Changes in Net Position**

**Year Ended June 30, 2014**

<b>Operating Revenues:</b>	
State foundation	\$ 1,415,748
Poverty Based Assistance	20,269
Tuition and fees	6,999
Charges for services	1,896
Other operating revenues	<u>14</u>
<b>Total operating revenues</b>	<u><u>1,444,926</u></u>
<b>Operating Expenses:</b>	
Salaries and wages	767,880
Fringe benefits	162,054
Purchased services:	
Contract management and fiscal services	279,478
Property services	167,392
Other	204,517
Materials and supplies	112,109
Depreciation	35,610
Other expenses	<u>4,901</u>
<b>Total operating expenses</b>	<u><u>1,733,941</u></u>
Operating loss	(289,015)
<b>Nonoperating revenues (expenses):</b>	
Federal grants	298,157
State grants	83,346
Interest and fiscal charges	<u>(1,688)</u>
<b>Total nonoperating revenues (expenses)</b>	<u><u>379,815</u></u>
Change in Net Position	90,800
Net Position, beginning of year	61,653
Net Position, end of year	<u><u>\$ 152,453</u></u>

See accompanying notes to the basic financial statements

**MIAMI VALLEY ACADEMIES**  
**Montgomery County, Ohio**  
**Statement of Cash Flows**

**Year Ended June 30, 2014**

**Cash flows from operating activities:**

Cash received from State of Ohio - Foundation	\$ 1,415,748
Cash received from State of Ohio - Poverty Aid	20,269
Cash received from customers	11,712
Cash received from other operating revenues	14
Cash payments for personal services	(926,733)
Cash payments for contract services	(757,181)
Cash payments for supplies and materials	(4,901)
Net cash used by operating activities	<u>(241,072)</u>

**Cash flows from noncapital financing activities:**

Cash received from state and federal grants	<u>409,131</u>
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**Cash flows from capital and related financing activities:**

Acquisition of Capital Assets	(95,205)
Proceeds of Note payable	30,035
Principal paid on debt obligations	(3,272)
Interest paid on debt obligations	(574)
Net cash used by capital and related financing activities	<u>(69,016)</u>

Net change in cash and cash equivalents	99,043
Cash and Cash Equivalents at beginning of year	20,726
Cash and Cash Equivalents at end of year	<u>\$ 119,769</u>

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

Operating loss	\$ (289,015)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	35,610
Change in assets and liabilities:	
Accounts receivable	(455)
Accounts payable	4,444
Accrued wages and benefits	1,089
Intergovernmental payable	7,255

Net cash used by operating activities	<u>\$ (241,072)</u>
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Schedule of noncash capital and related financing activities:

Acquisition of Capital Assets with capital lease	<u>\$ (14,021)</u>
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See accompanying notes to the basic financial statements



**Miami Valley Academies**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
June 30, 2014

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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. During fiscal year 2011, Kids Count of Dayton took over as the Academy’s sponsor and is still the 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 199 funded 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 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.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
June 30, 2014

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**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 position. The difference between total assets and liabilities are 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 net total position.

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.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
June 30, 2014

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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 position relating to expenses, which are due but unpaid as of June 30, 2014, including:

Wages Payable – salary payments made after year-end that were for services rendered in fiscal year 2014. 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, 2014 for all salary payments made to teaching personnel during the months of July and August 2014.

**Miami Valley Academies**  
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Notes to the Basic Financial Statements  
June 30, 2014

Intergovernmental payable – payment for the employer’s share of the retirement contribution (\$11,785), associated with services rendered during fiscal year 2014, 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 position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is 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 position are available.

3. Deposits and Investments:

The Academy does not have a policy addressing custodial credit risk for its deposits. At June 30, 2014, the carrying amount of the Academy’s deposits was \$119,769 and the bank balance was \$146,370, 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, 2014, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Leasehold Improvements	\$562,979	\$90,736	\$0	\$653,715
Equipment	302,985	18,490	0	321,475
Total Capital Assets	<u>865,964</u>	<u>109,226</u>	<u>0</u>	<u>975,190</u>
Less: accumulated depreciation on:				
Leasehold Improvements	(558,712)	(12,739)	0	(571,451)
Equipment	(252,877)	(22,871)	0	(275,748)
Total Accumulated Depreciation	<u>(811,589)</u>	<u>(35,610)</u>	<u>0</u>	<u>(847,299)</u>
Capital assets, net	<u>\$54,375</u>	<u>\$73,616</u>	<u>\$0</u>	<u>\$127,991</u>

**Miami Valley Academies**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
June 30, 2014

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5. 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 2014, the Academy contracted with the Argonaut Insurance Company for business personal property and general liability insurance. Business personal property coverage carries \$530,450 limit, and has a \$1,000 deductible. Building liability coverage is set at \$1,092,727 in the aggregate with a \$1,000 deductible. The Academy has a \$3,000,000 general aggregate limit with \$1,000,000 limit per occurrence carrying a \$2,500 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.

6. Defined Benefits Pension Plan:

**A. School Employee Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate amount four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and benefits is 13.10 percent. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B funds. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,864, \$7,164, and \$6,619 respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**Miami Valley Academies**  
**Montgomery County, Ohio**  
Notes to the Basic Financial Statements  
June 30, 2014

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**B. State Teachers Retirement System**

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$93,012, \$137,015, and \$153,139, respectively; 100 percent for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$13,405 made by the Academy and \$10,533 made by the plan members.

7. Postemployment Benefits

**A. School Employee Retirement System**

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

**Medicare Part B**

Medicare B plan reimburses Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$99.90 for most participants, but could go as high as \$319.70 per month depending on their income. SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2014, the actuarial required allocation is 0.76 percent the Academy's contributions for the years ended June 30, 2014, 2013, and 2012 were \$398, \$405, and \$391, respectively, 100 percent for fiscal years 2014, 2013 and 2012.

**Health Care Plan**

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

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**Montgomery County, Ohio**  
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The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For the fiscal year June 30, 2014, the minimum compensation level was established at \$20,250. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the year ended June 30, 2014, 2013 and 2012, was \$73, \$87 and \$287, respectively, 100 percent for fiscal years 2014, 2013 and 2012.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System**

**Plan Description** – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,155, \$7,447, and \$6,176, respectively; 87 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.



**Miami Valley Academies**  
**Montgomery County, Ohio**  
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8. Restricted Net Position:

At June 30, 2014, the Academy reported restricted net position totaling \$40,944. The nature of the net position restrictions are as follows:

Capital Improvement	\$18,303
Food Service Grants	5
Title I Grant	22,203
Reducing Class Size Grant	433
Total	\$40,944

9. Contingencies:

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.

10. 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 through 2014. Rent for fiscal year 2014 totaled \$123,732. The terms of the lease are not expected to change significantly during fiscal year 2015.

11. Capital Leases:

In the current year, the Academy entered into a capital lease for an LED display at the State Route 741 entrance (\$14,021). The terms of the agreement provides an option to purchase the equipment. Principal payments in fiscal year 2014 totaled \$3,272 and interest payments of \$574.

Fiscal Year Ending June 30,	Capital Leases Payable		
	Principal	Interest	Total
2015	\$7,004	\$688	\$7,692
2016	3,745	100	3,845
Totals	\$10,749	\$788	\$11,537

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**Montgomery County, Ohio**  
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June 30, 2014

12. Note Payable:

In the current year, the Academy issued a note payable to purchase a new gym floor (\$30,035). The terms of this note requires that it be repaid in two annual installments with a 6.36% interest rate. Annual payments are \$16,465. There were no principal payments in fiscal year 2014 and there was no interest paid in fiscal year 2014.

Fiscal Year Ending June 30,	Note Payable		
	Principal	Interest	Total
2015	\$14,555	\$1,910	\$16,465
2016	15,480	984	16,464
Totals	\$30,035	\$2,894	\$32,929

13. Long Term Liabilities:

The changes in the Academy's long-term obligations (non-current liabilities) during the year consist of the following:

	Obligation Outstanding 7/01/13	Additions	Reductions	Obligation Outstanding 6/30/14	Amounts Due in One Year
Capital Lease Payable	\$0	\$14,021	\$3,272	\$10,749	\$7,004
Note Payable	0	30,035	0	30,035	14,555

14. Other Purchased Services:

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

Contract Management and Fiscal Service	\$279,478
Property Services	167,392
Communications	31,646
Utilities	48,707
Transportation	30,971
Food Service	93,193
Total Purchased Services	\$651,387

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

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**INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Miami Valley Academies (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 20, 2014.

**Internal Controls Over Financial Reporting**

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

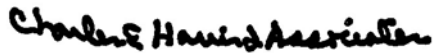
Miami Valley Academies  
Montgomery County  
Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and on Compliance and  
Other Matters Required by *Government Auditing Standards*

**Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



*Charles E. Harris & Associates, Inc.*  
December 20, 2014

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2013, reported no material citations or recommendations.

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# Dave Yost • 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 3, 2015**