

Middletown Preparatory and Fitness Academy  
Butler County, Ohio

Single Audit

July 1, 2009 through June 30, 2010  
Fiscal Year Audited Under GAGAS: 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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Circleville, OH   Ironton, OH   Piketon, OH   Wheelersburg, OH   Worthington, OH





# Dave Yost • Auditor of State

Board of Directors  
Middletown Preparatory and Fitness Academy  
816 Second Avenue  
Middletown, Ohio 45044

We have reviewed the *Independent Auditor's Report* of the Middletown Preparatory and Fitness Academy, Butler County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 26, 2012

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**Middletown Preparatory and Fitness Academy**  
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*For the Fiscal Year Ended June 30, 2010*

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## Independent Auditor's Report

Members of the Board  
Middletown Preparatory and Fitness Academy  
816 Second Street  
Middletown, OH 45044

We have audited the accompanying financial statements of the business-type activities of the Middletown Preparatory and Fitness Academy, Butler County, (the Academy), as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Middletown Preparatory and Fitness Academy, Butler County, as of June 30, 2010, and the respective changes in financial position and, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets, GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, and GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies.



Balestra, Harr & Scherer, CPAs, Inc.

November 30, 2011



# MIDDLETOWN PREPARATORY AND FITNESS ACADEMY

Butler County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

The discussion and analysis of the Middletown Preparatory and Fitness Academy's (The Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the basic financial statements 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 new 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 Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

## **Financial Highlights**

- In total, net assets increased \$193. This increase was due to largely to the increase in federal grants and decrease in expenditures of the board reserve.
- Total assets increased \$193. This increase was due to largely to the increase in federal grants and decrease in expenditures of the board reserve.
- Liabilities remained at \$0 in 2010.

## Using this Financial Report

This report consists of three parts, the Management Discussion and Analysis, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

## Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2010?" 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.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY**

Butler County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

(Continued)

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

(Table 1)

**Net Assets**

<b>Assets</b>	<u>FY 2010</u>	<u>FY 2009</u>
Current Assets:	\$382	\$189
Total Assets	<u>\$382</u>	<u>\$189</u>
<b>Net Assets</b>		
Unrestricted	<u>\$382</u>	<u>\$189</u>
Total Net Assets	<u>\$382</u>	<u>\$189</u>

Total assets increased \$193. This increase was due to increase in federal grants.

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

(Table 2)

**Change in Net Assets**

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Formula Foundation Payments	\$ 1,506,207	\$ 1,766,111
Special Education Funding	\$ 167,701	\$ 181,385
Parity Aid	\$ 79,797	\$ 89,671
Sales	\$ 21,219	\$ 36,548
Miscellaneous	\$ -	\$ 19,050
Non-Operating Revenues		
Federal Grants	\$ 649,169	\$ 380,327
State Grants	\$ 15,806	\$ 18,478
Total Revenues	<u>\$ 2,439,899</u>	<u>\$ 2,501,570</u>
Operating Expenses		
Purchased Services - Management Fees	\$ 2,241,294	\$ 2,290,050
Other Operating Expenses	\$ 198,412	\$ 212,331
Total Expenses	<u>\$ 2,439,706</u>	<u>\$ 2,502,381</u>
Increase (Decrease) in Net Assets	<u>\$ 193</u>	<u>\$ (811)</u>
Ending Net Assets	<u>\$ 382</u>	<u>\$ 189</u>

# MIDDLETOWN PREPARATORY AND FITNESS ACADEMY

Butler County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

(Continued)

The change in net assets increased \$1,004. There was a decrease in revenues of \$61,671, and a decrease in expenses of \$62,675. This was primarily due to the decrease in Foundation Payments of \$259,904. Community Schools receive no support from tax revenues.

The decrease in management fees of \$48,756 was due to the decrease in revenues, the nature of the full performance contract, and the Academy's making SERS and STRS payments on behalf of the management company. These additional funds were used to offset expenses related to the increase in enrollment.

## **Capital Assets**

The Middletown Preparatory and Fitness Academy has no capital assets due to the nature of the full performance contract with Edvantages.

## **Current Financial Issues**

The Middletown Preparatory and Fitness Academy was formed in 2002 through a charter with the Ohio Department of Education. During the 2002-2003 school year there were approximately 95 students enrolled. The following year, this increased to approximately 175 and continued increasing to approximately 250 in FY05. In FY06 this increased to approximately 285. In FY07 this increased to approximately 295 and increased again in FY08 to approximately 310. In FY09 enrollment fell to 290 and fell again in FY10 to 266. The Academy receives its finances mostly from state aid. Per pupil base aid for fiscal year 2010 was \$5,718.

## **Contacting the School's Financial Management**

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information contact Toby Pinkerton, Treasurer at Middletown Preparatory and Fitness Academy, 7416 N. Main Dayton OH 45415 or email at [tpinkerton@edvantages.com](mailto:tpinkerton@edvantages.com).

Middletown Preparatory and Fitness Academy  
Statement of Net Assets  
June 30, 2010

Assets

Current Assets:

Equity in Cash and Cash Equivalents	\$ 382
Accounts Receivable	<u>\$ -</u>

Total Current Assets	<u><u>\$ 382</u></u>
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Net Assets

Unrestricted	<u>\$ 382</u>
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Total Net Assets	<u><u>\$ 382</u></u>
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See accompanying notes to the basic financial statements

Middletown Preparatory and Fitness Academy  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year ended June 30, 2010

Operating Revenues	
Foundation Payments	\$ 1,506,207
Special Education Funding	\$ 167,701
Parity Aid	\$ 79,797
Sales	<u>\$ 21,219</u>
Total Operating Revenues	<u>\$ 1,774,924</u>
Operating Expenses	
Purchased Services - Management Fees	\$ 2,241,294
Other Operating Expenses	<u>\$ 198,412</u>
Total Operating Expenses	<u>\$ 2,439,706</u>
Operating Loss	\$ (664,782)
Non-Operating Revenues	
Federal Grants	\$ 649,169
State Grants	<u>\$ 15,806</u>
Total Non-Operating Revenues	<u>\$ 664,975</u>
Change in Net Assets	\$ 193
Net Assets at Beginning of Year	<u>\$ 189</u>
Net Assets at End of Year	<u><u>\$ 382</u></u>

See accompanying notes to the basic financial statements

Middletown Preparatory and Fitness Academy  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2010

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash Received from Sales	\$ 21,219
Cash Received from State of Ohio	\$ 1,753,705
Cash Payments to Suppliers for Goods and Services	<u>\$ (2,439,706)</u>
Net Cash Used for Operating Activities	<u>\$ (664,782)</u>

Cash Flows From Non-Capital Financing Activities

Cash Received from Federal Grants	\$ 649,169
Cash Received from State Grants	<u>\$ 15,806</u>
Net Cash Provided byr Non-Capital Financing Activities	<u>\$ 664,975</u>

Net Increase in Cash \$ 193

Cash at Beginning of Year \$ 189

Cash at End of Year \$ 382

See accompanying notes to the basic financial statements

Middletown Preparatory and Fitness Academy  
Butler County  
Notes to the Basic Financial Statements  
June 30, 2010

1. DESCRIPTION OF THE ENTITY

The Middletown Preparatory and Fitness Academy (the Academy) has been approved as a tax exempt status nonprofit corporation under Section 501c(3) of the Internal Revenue Code. It was established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through grade five. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy, which is part of the State's education program, is independent of any Academy and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. 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 contracts with Edvantages Inc. for most of its functions. See Note 5.

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of five years commencing in July 2002. The Sponsor is responsible for evaluation the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. Effective July 1, 2010 the Academy is under contract with the Ohio Council of Community Schools for a period of 10 years.

The Academy operates under the direction of a five-member Board of Directors (The Board). The Board is responsible for carrying out the provisions of the contract with the sponsor that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board of Directors leases the Academy's one instructional/support facility from Edvantages as noted in the management agreement. The facility is staffed with teaching personnel employed by Edvantages. The Board also operates the following schools:

Columbus Preparatory and Fitness Academy	Columbus, Ohio
Mount Healthy Preparatory and Fitness Academy	Mt. Healthy, Ohio
Northland Preparatory and Fitness Academy	Columbus, Ohio
Springfield Preparatory and Fitness Academy	Springfield, Ohio
Toledo Preparatory and Fitness Academy	Toledo, Ohio
Trotwood Preparatory and Fitness Academy	Trotwood, Ohio
Whitehall Preparatory and Fitness Academy	Columbus, Ohio

Also the Academy is associated with the Metropolitan Dayton Education Computer Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources

Middletown Preparatory and Fitness Academy  
Butler County  
Notes to the Basic Financial Statements  
June 30, 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 Board (FASB) statements and interpretations issued on or before November 30, 1989 to its proprietary activities provided they do no conflict with or contradict GASB pronouncements. The Academy does not apply FASB statements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

### A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

### B. Measurement Focus

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 Statement of Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The Statement of Cash Flows provides information about how the Academy finances and meets cash flow needs of its enterprise activities.

### C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be



Middletown Preparatory and Fitness Academy  
Butler County  
Notes to the Basic Financial Statements  
June 30, 2010

used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its sponsor.

The contract between the Academy and its sponsor requires that monthly budget reports be prepared comparing actual for the month to budgeted amount for the month. It also requires that a variance report accompany the monthly reports identifying areas that may need to be adjusted to maintain a balanced budget. Monthly reports and timely presentations are to be furnished to the Board by the treasurer with recommendations for Board action to adjust the spending plan as appropriate action is warranted.

E. Cash Deposits

All cash received by the Academy is maintained in a demand deposit account.

F. Net Assets

Net assets represent the difference between the assets and liabilities. The Academy's net assets are unrestricted at June 30, 2010.

G. Concentration of Business and Current Risk

As of June 30, 2010, funds received from the federal and state of Ohio governments represented 100% of the revenues and accounts receivable reported by the Academy. Accordingly, the risk exists that the ability to receive funds from these governments could affect the financial status of the Academy.

Deposits

The Academy maintains its cash balance in a demand deposit account in two financial institutions located in Middletown, Ohio. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$100,000. At June 30, 2010 the Academy's cash balance was \$382, so 100 percent was covered by FDIC. The Academy had no investments at June 30, 2010, or during the fiscal year.

Middletown Preparatory and Fitness Academy  
Butler County  
Notes to the Basic Financial Statements  
June 30, 2010

H. 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 those estimates.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the state and sales for food services and school fees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

3. CHANGE IN ACCOUNTING PRINCIPLES

For 2010, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the Academy's basic financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the Academy's basic financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the Academy's basic financial statements

Middletown Preparatory and Fitness Academy  
Butler County  
Notes to the Basic Financial Statements  
June 30, 2010

4. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets' errors and omissions; and natural disasters. As part of its management agreement with Edvantages, Edvantages has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

5. AGREEMENT WITH EDVANTAGES, INC.

On March 1, 2002, the Academy contracted with Edvantages, Inc., to provide educational programs that offer educational excellence and innovation based upon the Academy's unique school design, comprehensive educational program, and sound school and business principles and management methodologies. This contract remains in effect as long as the Academy continues to renew the contract and has entered into or is continuing to operate under any chartering school contract. Under the contract Edvantages is responsible for providing educational and management services and products, human resources administration, including school personnel and business management, curricula, programs, contract administration and technology. Significant provisions of the contract are as follows:

A. Financial Provisions

1. Management Consulting and Operation Fee

The Academy pays Edvantages all state and federal per pupil allocations, transportation, technology or other operational funds, including private donations, endowments, or grants applied for on behalf of the Academy, except for two percent of the base state per pupil allocation. This two percent is to be retained by the Academy as a Board Reserve to be used by June 30 of each year for the Academy's benefit. The amount paid to Edvantages by the Academy is reflected in the Statement of Revenues, Expenses, and Changes in Net Assets as Purchased Services – Management Fees operating expense.

2. The Academy's Financial Responsibility

The Academy uses the Board Reserve to pay Board members' compensation; expenses for fund raising and grant writing accomplished by the Academy; and other expenses for the benefit of the Academy at the Board's discretion. The actual transactions related to these expenditures are performed by Edvantages under the Academy's direction.

Middletown Preparatory and Fitness Academy  
Butler County  
Notes to the Basic Financial Statements  
June 30, 2010

3. **Edvantages Financial Responsibilities**  
Edvantages is responsible for the payment of all wages, compensation and expenses of Edvantages or the Academy including the Superintendent, Treasurer, assistants, administrators, clerical staff, and teachers. Edvantages is also responsible for and janitorial services; worker's compensation; other insurance; necessary comprehensive or premises liability insurance; and attorney fees. Edvantages pays their own office expenses and supplies; leases for equipment and the Academy offices or facilities; and travel, lodging and other expenses incurred pursuant to services rendered by Edvantages.
4. **Financial Reporting by Edvantages**  
Edvantages shall provide the Academy's Board with a proposed and projected annual budget prior to opening each fiscal year; statements of all revenues received with respect to the Academy, and statements of all direct expenditures for services rendered to or on behalf of the Academy. Edvantages also provides consultation on annual audits in compliance with state law and regulations showing the manner in which funds are spent for the Academy. Edvantages reports on Academy operations and finances on a quarterly basis and other information on a reasonably requested basis to enable the Board to monitor the performance of the Academy; and a reasonable opportunity to inspect, examine, audit and otherwise review the books, records, accounts, ledgers and other financial documents of Edvantages to the extent that they relate to or otherwise pertain to activities of the Academy.
5. **Financial Reporting by the Academy**  
The Academy shall provide Edvantages with statements of all funds received by the Academy from grants applied for by the Academy, donations or endowments and statements of all expenditures and investments made with such funds, as well as with the Board Reserve funds.

**B. Personnel**

Edvantages selects and hires all teaching staff, administrative or other staff. They also evaluate, assign, discipline and transfer personnel. Edvantages also selects the Academy's Superintendent and establishes employment terms. During the first two years of operation, the Superintendent shall be a representative of Edvantages. Edvantages determines the number of teachers needed for the operation of the Academy and selects and hires all teachers. The personnel who perform services at the Academy are employees or subcontractors or service providers of Edvantages and are paid by Edvantages.

Middletown Preparatory and Fitness Academy  
Butler County  
Notes to the Basic Financial Statements  
June 30, 2010

C. Agreement Termination

1. Termination by the Academy

The Academy may terminate the Contract after prior written notice to Edvantages if the Academy ceases to be approved by the Ohio Department of Education as an Ohio Community School and the Academy or Edvantages cannot secure another sponsor; upon sixty days prior written notice in the event that Edvantages be guilty of a felony or fraud, gross negligence, or other act of willful or gross misconduct in the rendering of services under the Agreement, or in the event that Edvantages fails to remedy a material breach of its duties or obligation within six months after written notice of the breach is provided to Edvantages by the Academy, if Edvantages has failed to cure such breach during the first three months of the notice period.

2. Termination by Edvantages

Edvantages may terminate the Contract in the event the Academy materially breaches the Agreement and the Academy fails to remedy such a breach within ninety days of its receipt of written notice of such breach from Edvantages.

6. DEFINED BENEFIT PENSION PLANS

The Academy has contracted with Edvantages to provide employee services and to pay those employees. However, these contract services do not relieve the Academy of the obligation for remitting pension contributions. The State retirement systems consider the Academy as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the State systems noted below.

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be

Middletown Preparatory and Fitness Academy  
Butler County  
Notes to the Basic Financial Statements  
June 30, 2010

amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The Academy's contributions to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$72,724, \$52,218 and \$56,550, respectively; which equaled the required contributions for each fiscal year.

**B. State Teachers Retirement System**

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

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

Middletown Preparatory and Fitness Academy  
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actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers

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Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2010, 2009 and 2008, plan members were required to contribute 10 percent of their annual covered salaries. For these fiscal years, the Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$125,688, \$160,072, and \$122,658, respectively; 100% has been contributed for each fiscal year.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

7. POST EMPLOYMENT BENEFITS

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Academy, these amounts equaled \$8,978, \$11,434, and \$8,761 for fiscal years 2010, 2009 and 2008, respectively, which are equal to the required allocations for each year.



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B. School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, 2009 and 2008 the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent, respectively. The Academy's contributions for the fiscal years ended June 30, 2010, 2009 and 2008 were \$3,948, \$528, and \$374, respectively, which equaled the required allocations for each year.

Health Care Plan

Ohio Revised Code 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 HMOs, PPOs, 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 Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2010, 2009 and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 fiscal year 2010, the minimum compensation level was

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established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the Academy, the amounts contributed to fund health care benefits, including the surcharge, during the 2010, 2009 and 2008 fiscal years equaled \$2,389, \$5,595, and \$8,496, respectively, which equaled the required allocations for each year.

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

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

8. PURCHASED SERVICES

For the period ended June 30, 2010, purchased service expenses represent payments for management services rendered by Edvantages (see note 5) and STRS and SERS payments made by the Academy on behalf of Edvantages.

Purchased Services Agreement	\$ 2,241,294
SERS and STRS Payments	<u>\$ 198,412</u>
Total Purchased Services	<u>\$ 2,439,706</u>

9. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the academy at June 30, 2010.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to

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the State, upon which state student enrollment data to the State, upon which state Foundation funding is calculated. The review for the fiscal year 2010 was completed November 2010 with an increase adjustment of \$1,697. This amount was not material and therefore not recorded on the accompanying financial statements.

10. METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION

The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundary of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MDECA consists of seven Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Edvantages paid MDECA for services provided during the fiscal year for the Academy. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

11. MANAGEMENT COMPANY EXPENSES

As per the agreement with Edvantages (see note 5), 98% of the school's revenue is paid to Edvantages as a management fee. The related 'purchased services' expense totaled \$2,439,706 for the year ended June 30, 2010 including STRS and SERS payments made by the Academy on behalf of Edvantages. The amount included the 2% Board Reserve. The Board approved a resolution that allowed Edvantages to spend the 2% amount for the benefit of the Academy. Edvantages incurred the following actual direct and indirect expenses on behalf of the Academy:

Salaries & Wages	\$ 1,273,471
Employees' Benefits	313,477
Professional and Technical Services	210,402
Property Services	278,572
Sponsorship Fees	56,731
Travel	18,254
Communications	94,154
Other Purchased Services	170,931
Books, Periodicals and Films	43,197
Other Supplies	62,198
Other Costs	<u>60,712</u>
Total Expenses	<u>\$ 2,582,099</u>

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY  
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department Education:</i>				
<i>Nutrition Cluster::</i>				
School Breakfast Program	3L70	10.553	45,412	45,412
School Lunch Program	3L60	10.555	<u>72,470</u>	<u>72,470</u>
<i>Total Nutrition Cluster</i>			<u>117,882</u>	<u>117,882</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>117,882</b>	<b>117,882</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department Education:</i>				
<i>Title 1 Cluster:</i>				
Title 1 Grants to Local Educational Agencies	3M00	84.010	\$ 197,656	\$ 197,656
Title 1 Grants to Local Educational Agencies - ARRA	3DKO	84.389	<u>71,522</u>	<u>71,522</u>
<i>Total Title 1 Cluster</i>			<u>\$ 269,178</u>	<u>\$ 269,178</u>
<i>Special Education Cluster:</i>				
Special Education Grants to States	3M20	84.027	61,360	61,360
Special Education Grants to States - ARRA	3DJO	84.391	<u>70,613</u>	<u>70,613</u>
<i>Total Special Education Cluster</i>			<u>131,973</u>	<u>131,973</u>
Safe and Drug-Free Schools and Communities State Grants	3D10	84.186	1,779	1,779
Education Technology State Grants	3S20	84.318	1,233	1,233
Improving Teacher Quality State Grants	3Y60	84.367	6,628	6,628
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	GRF	84.394	<u>120,496</u>	<u>120,496</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>531,287</b>	<b>531,287</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$ 649,169</u></b>	<b><u>\$ 649,169</u></b>

See accompany notes to the schedule of federal receipts and expenditures

**Middletown Preparatory and Fitness Academy**  
*Notes to the Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

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## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards**

Members of the Board  
Middletown Preparatory and Fitness Academy  
816 Second Avenue  
Middletown, Ohio 45054

We have audited the financial statements of the business-type activities of the Middletown Preparatory and Fitness Academy (the Academy) as of and for the year ended June 30, 2010 and have issued our report thereon dated November 30, 2011 in which we noted that the Academy adopted Governmental Accounting Standards Board Statement No. 51, Statement No. 53, and Statement No. 58. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

Members of the Board  
Middletown Preparatory and Fitness Academy  
Report on Internal Control over Financial Reporting and on compliance and Other Matters  
Required by Government Auditing Standards.  
Page 2

### **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, providing an opinion 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*.

We intend this report for the information and use of management, the Academy Sponsor, the Board of Directors, others within the Academy, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

November 30, 2011





## **Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133**

Members of the Board  
Middletown Preparatory and Fitness Academy  
816 Second Street  
Middletown, Ohio 45044

### **Compliance**

We have audited the compliance of Middletown Preparatory and Fitness Academy, Butler County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2010-001.

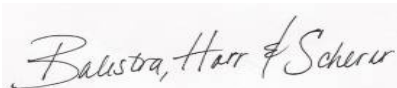
### **Internal Control over Compliance**

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation over compliance does not allow management or employees, when performing their assigned functions, to prevent or timely detect and correct noncompliance with a federal program. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance 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 deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report for the information and use of management, the Board of Directors, the Academy Sponsor, others within the Academy, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
November 30, 2011

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY  
BUTLER COUNTY  
JUNE 30, 2010**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs= Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Cluster: CFDA 84.010 and CFDA 84.389 (ARRA)  State Fiscal Stabilization Fund (SFSF) – Education State Grants CFDA 84.394 (ARRA)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY  
BUTLER COUNTY  
JUNE 30, 2010**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505 (Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2010-001
<b>CFDA Title and Number</b>	Title I Cluster 84.010 and 84.389, SFSF 84.394
<b>Federal Award Year</b>	2009-2010
<b>Federal Agency</b>	United States Department of Education

**Noncompliance Citation – Reporting**

Circular A-133 and Title 31 of the United States Code requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The Academy did not submit the required reports within this time frame.

The Academy should ensure that the audits required by Circular A-133 are properly performed and submitted when due. When extensions to the report submission due date are granted by the cognizant or oversight agency for audit, the Academy should promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

**Response:** The Client chose not to respond.

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY  
BUTLER COUNTY  
JUNE 30, 2010**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-01	The Academy will not be a Single Audit for 2011. In the future should the Academy be a Single Audit we will consult with the Auditor of State and Ohio Department of Education to insure the requirement is met.	June 30, 2011	Toby Pinkerton

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# Dave Yost • Auditor of State

**MIDDLETOWN PREPARATORY AND FITNESS ACADEMY**

**BUTLER 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  
FEBRUARY 7, 2012**