

VICTORY ACADEMY OF TOLEDO

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011





# Dave Yost • Auditor of State

Board of Directors  
Victory Academy of Toledo  
5730 Broadview Road  
Parma, Ohio 44134

We have reviewed the *Independent Auditors' Report* of the Victory Academy of Toledo, Lucas County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2010 through June 30, 2011. 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 Victory Academy of Toledo is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

April 25, 2012

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VICTORY ACADEMY OF TOLEDO

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Victory Academy of Toledo  
Lucas County  
5730 Broadview Road  
Parma, Ohio 44134

We have audited the accompanying basic financial statements of the Victory Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2011, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 financial position of the Academy as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note XII to the accompanying financial statements, on June 15, 2011 the Academy's Board of Directors voted to suspend operations for the 2012 school year. On August 29, 2011, the Board of Directors voted to cease operations and dissolve the Academy.

The Board of Directors  
Victory Academy of Toledo  
Lucas County

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2012 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



March 6, 2012



**VICTORY ACADEMY OF TOLEDO**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

The discussion and analysis of Victory Academy of Toledo (VAT) financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the financial performance of VAT as a whole. Readers should also review the Notes to the Financial Statements and the Financial Statements to enhance their understanding of the financial performance of VAT.

**Financial Highlights**

Key financial highlights for 2011 include the following:

- In total, net assets decreased \$60,804, which represents a 71.0% decrease from 2010. Enrollment decreased from the 2010 resulting in lower state support and federal grant revenues. This was partially offset by decreased operating expenses.
- Total assets decreased \$88,182, which represents a 42.5% decrease from 2010. This decrease is due to using cash to liquidate payroll related payables, to partially repay an overpayment from the state in 2010 and to fully depreciate capital assets.
- Liabilities decreased \$27,378, which represents a 22.5% decrease from 2010. Vendor payables increased while payroll related accruals and a payable to the state decreased.
- Operating revenues decreased \$87,114, which represents an 11.8% decrease from 2010. The majority of the revenue decrease is from the State Foundation and Poverty Based Assistance program because of decreased enrollment.
- Operating expenses decreased \$125,047, which represents a 10.6% decrease from 2010. Decreases occurred in salaries, materials, supplies, depreciation and other expenses due mostly to the enrollment decreases of the school in 2011.
- Non-operating revenues decreased \$89,643, which represents a 20.9% decrease from 2010. This includes decreased federal grants due to the decreased enrollment in fiscal year 2010.

**Using this Financial Report**

This report consists of three parts, Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. The Financial Statements include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

**VICTORY ACADEMY OF TOLEDO**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

**Statement of Net Assets**

The Statement of Net Assets looks at how well VAT has performed financially through June 30, 2011. This statement includes all of the assets, liabilities and net assets using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the year, regardless as to when the cash is received or expended.

The following schedule provides a summary Statement of Net Assets for fiscal years ended June 30, 2011 and 2010 for VAT.

|                              | <u>2011</u>     | <u>2010</u>     | <u>Change</u>     | <u>%</u>      |
|------------------------------|-----------------|-----------------|-------------------|---------------|
| <b>Assets</b>                |                 |                 |                   |               |
| Cash                         | \$77,637        | \$143,315       | (\$65,678)        | -45.8%        |
| Other Current Assets         | 41,704          | 30,741          | 10,963            | 35.7%         |
| Capital Assets               | 0               | 33,467          | (33,467)          | -100.0%       |
| <b>Total Assets</b>          | <u>119,341</u>  | <u>207,523</u>  | <u>(88,182)</u>   | <u>-42.5%</u> |
| <b>Liabilities</b>           |                 |                 |                   |               |
| Current Liabilities          | 94,464          | 121,842         | (27,378)          | -22.5%        |
| <b>Total Liabilities</b>     | <u>94,464</u>   | <u>121,842</u>  | <u>(27,378)</u>   | <u>-22.5%</u> |
| <b>Net Assets</b>            |                 |                 |                   |               |
| Investment in capital assets | 0               | 33,467          | (33,467)          | -100.0%       |
| Unrestricted                 | 24,877          | 52,214          | (27,337)          | -52.4%        |
| <b>Total Net Assets</b>      | <u>\$24,877</u> | <u>\$85,681</u> | <u>(\$60,804)</u> | <u>-71.0%</u> |

Net Assets decreased \$60,804, due to decreased enrollment resulting in reduced state and federal support for the year. Operating expenses also decreased during the year as a result of the reduced enrollment. For assets, cash decreased \$65,678; due from other governments increased \$6,691; accounts receivable increased \$12; prepaid expenses increased \$4,260 and net capital assets decreased \$33,467 during the year. For liabilities, accounts payable increased \$22,334; accrued wages and benefits decreased \$5,336 and due to other governments decreased \$44,376 during the year.

**VICTORY ACADEMY OF TOLEDO**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

**Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets reports operating and non-operating activities for the fiscal year ended June 30, 2011.

The following schedule provides a summary of the Statement of Revenues, Expenses and Changes in Net Assets for VAT for fiscal years ended June 30, 2011 and 2010.

|  | <u>2011</u>      | <u>2010</u>      | <u>Change</u>     | <u>%</u>      |
|--|------------------|------------------|-------------------|---------------|
| <b>Revenues</b>                                  |                  |                  |                   |               |
| Foundation and Poverty Based Assistance Revenues | \$638,925        | \$731,387        | (\$92,462)        | -12.6%        |
| Other Operating Revenues                         | 12,621           | 7,273            | 5,348             | 73.5%         |
| Total Operating Revenues                         | <u>651,546</u>   | <u>738,660</u>   | <u>(87,114)</u>   | <u>-11.8%</u> |
| Interest   | 59               | 120              | (61)              | -50.8%        |
| Other  | 0                | 1,438            | (1,438)           | -100.0%       |
| Federal and State Grants                         | 339,813          | 427,957          | (88,144)          | -20.6%        |
| Total Non-Operating Revenues                     | <u>339,872</u>   | <u>429,515</u>   | <u>(89,643)</u>   | <u>-20.9%</u> |
| <br>   |                  |                  |                   |               |
| Total Revenues                                   | <u>991,418</u>   | <u>1,168,175</u> | <u>(176,757)</u>  | <u>-15.1%</u> |
| <b>Expenses</b>                                  |                  |                  |                   |               |
| Salaries   | 436,723          | 546,265          | (109,542)         | -20.1%        |
| Fringe Benefits                                  | 134,011          | 113,633          | 20,378            | 17.9%         |
| Purchased Services                               | 369,476          | 337,900          | 31,576            | 9.3%          |
| Materials and Supplies                           | 57,234           | 92,979           | (35,745)          | -38.4%        |
| Depreciation and Amortization                    | 33,467           | 63,051           | (29,584)          | -46.9%        |
| Other Expenses                                   | 21,311           | 23,441           | (2,130)           | -9.1%         |
| Total Expenses                                   | <u>1,052,222</u> | <u>1,177,269</u> | <u>(125,047)</u>  | <u>-10.6%</u> |
| <br>   |                  |                  |                   |               |
| Net Income/(Loss)                                | <u>(60,804)</u>  | <u>(9,094)</u>   | <u>(51,710)</u>   | <u>568.6%</u> |
| <br>   |                  |                  |                   |               |
| Net Assets at Beginning of the Year              | <u>85,681</u>    | <u>94,775</u>    | <u>(9,094)</u>    | <u>-9.6%</u>  |
| <br>   |                  |                  |                   |               |
| Net Assets at End of Year                        | <u>\$24,877</u>  | <u>\$85,681</u>  | <u>(\$60,804)</u> | <u>-71.0%</u> |

**VICTORY ACADEMY OF TOLEDO**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

Net Assets decreased in both fiscal years ending June 30, 2011 and 2010. This is due to enrollment changes and high operating expenses despite efforts to reduce spending in the 2011 fiscal year. Although certain expenditures such as salaries will increase or decrease as the number of classes increase and decrease other costs remain fixed such as facilities costs.

The most significant changes in revenue from 2010 to 2011 are decreases of \$92,462 in State Foundation and poverty based assistance funding due to decreased enrollment and \$88,144 in decreased federal and state grants to the school through the state of Ohio. Other revenues changes were minimal.

In total expenses decreased \$125,047 from 2010 to 2011 because of decreased enrollment from 2010. Salaries and Fringe Benefits decreased \$89,164 due to personnel reductions. Purchased services increased \$31,576 due to additional pupil support services, administrative services and occupancy costs. Materials and Supplies decreased \$35,745 due to reductions in purchases of text books and classroom supplies because of the reduced enrollment. Depreciation decreased \$29,584 because all of the capital assets reached full depreciation during the year. Other Operating Expenses decreased \$2,130.

**Capital Assets**

As of June 30, 2011, VAT's book value of building improvements, computers, technology, furniture and equipment was \$-0-, net of depreciation. This is a \$33,647 decrease from June 30, 2010.

The following schedule provides a summary of Fixed Assets as of June 30, 2011 and 2010 for VAT:

|   | <u>2011</u>    | <u>2010</u>         | <u>Change</u>         | <u>%</u>           |
|---|----------------|---------------------|-----------------------|--------------------|
| <b>Capital Assets (net of depreciation)</b> |                |                     |                       |                    |
| Building Improvements                       | \$0            | \$30,000            | (\$30,000)            | -100.0%            |
| Furniture, Fixtures and Equipment           | 0              | 3,467               | (3,467)               | -100.0%            |
| <br>Net Capital Assets                      | <br><u>\$0</u> | <br><u>\$33,467</u> | <br><u>(\$33,467)</u> | <br><u>-100.0%</u> |

For more information on capital assets see the Notes to the Financial Statements.

**VICTORY ACADEMY OF TOLEDO**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

**Current Financial Issues**

During the past year VAT contracted with Constellation Schools to try to improve the academic progress of the school. At the end of the year VAT was unable to come to terms to lease a facility and decided to suspend operation for 2012. In August 2011 the board decided to cease operation and dissolve the corporation and the board.

**Contacting the School's Financial Management**

This financial report is designed to provide our constituents with a general overview of the finances for VAT and to show accountability for the monies it receives. If you have any questions about this report or need additional information please contact either Lucas County Educational Service Center (the sponsor), by mail at 2275 Collingwood Blvd., Toledo, Ohio 43620 or Constellation Schools by mail at 5730 Broadview Road, Parma, Ohio 44134.

**Victory Academy of Toledo**  
**Lucas County**  
**Statement of Net Assets**  
**As of June 30, 2011**

**Assets:**

**Current Assets:**

|                             |                |
|-----------------------------|----------------|
| Cash                        | \$77,637       |
| Due from Other Governments  | 37,432         |
| Accounts Receivable         | 12             |
| Prepaid Expenses            | 4,260          |
| <i>Total Current Assets</i> | <u>119,341</u> |

**Non-Current Assets:**

|                           |                  |
|---------------------------|------------------|
| Capital Assets            | 488,058          |
| Accumulated Depreciation  | <u>(488,058)</u> |
| <i>Net Capital Assets</i> | <u>0</u>         |

|                     |                       |
|---------------------|-----------------------|
| <i>Total Assets</i> | <u><u>119,341</u></u> |
|---------------------|-----------------------|

**Liabilities:**

**Current Liabilities:**

|                            |               |
|----------------------------|---------------|
| Accounts Payable           | 29,774        |
| Due to Other Governments   | 28,523        |
| Accrued Wages and Benefits | <u>36,167</u> |

|                          |               |
|--------------------------|---------------|
| <i>Total Liabilities</i> | <u>94,464</u> |
|--------------------------|---------------|

**Net Assets:**

|                              |               |
|------------------------------|---------------|
| Investment in capital assets | 0             |
| Unrestricted                 | <u>24,877</u> |

|                         |                        |
|-------------------------|------------------------|
| <i>Total Net Assets</i> | <u><u>\$24,877</u></u> |
|-------------------------|------------------------|

The accompanying notes to the financial statements are an integral part of this statement.

**Victory Academy of Toledo**  
**Lucas County**  
**Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2011**

**Operating Revenues:**

|  |                |
|--|----------------|
| Foundation and Poverty Based Assistance Revenues | \$638,925      |
| Other Operating Revenues                         | <u>12,621</u>  |
| <i>Total Operating Revenues</i>                  | <u>651,546</u> |

**Operating Expenses:**

|                                 |                  |
|---------------------------------|------------------|
| Salaries                        | 436,723          |
| Fringe Benefits                 | 134,011          |
| Purchased Services              | 369,476          |
| Materials and Supplies          | 57,234           |
| Depreciation                    | 33,467           |
| Other Operating Expenses        | <u>21,311</u>    |
| <i>Total Operating Expenses</i> | <u>1,052,222</u> |
| Operating Loss                  | <u>(400,676)</u> |

**Non-Operating Revenues:**

|                                     |                        |
|-------------------------------------|------------------------|
| Interest Income                     | 59                     |
| Federal and State Grants            | <u>339,813</u>         |
| <i>Total Non-Operating Revenues</i> | <u>339,872</u>         |
| Net Loss                            | (60,804)               |
| Net Assets at Beginning of the Year | <u>85,681</u>          |
| Net Assets at End of Year           | <u><u>\$24,877</u></u> |

The accompanying notes to the financial statements are an integral part of this statement.

**Victory Academy of Toledo**  
**Lucas County**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2011**

**Increase (Decrease) in Cash:**

**Cash Flows from Operating Activities:**

|   |                  |
|---|------------------|
| Cash Received from State of Ohio                  | \$608,930        |
| Cash Payments to Suppliers for Goods and Services | (583,249)        |
| Cash Payments to Employees for Services           | (441,481)        |
| Other Operating Revenues                          | 12,621           |
| Net Cash Used for Operating Activities            | <u>(403,179)</u> |

**Cash Flows from Noncapital Financing Activities:**

|  |                |
|--|----------------|
| Federal and State Grants Received                    | <u>337,442</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>337,442</u> |

**Cash Flows from Investing Activities:**

|  |           |
|--|-----------|
| Interest                                 | <u>59</u> |
| Net Cash Flows from Investing Activities | <u>59</u> |

|                           |                        |
|---------------------------|------------------------|
| Net Decrease in Cash      | (65,678)               |
| Cash at Beginning of Year | <u>143,315</u>         |
| Cash at End of Year       | <u><u>\$77,637</u></u> |

The accompanying notes to the financial statements are an integral part of this statement.



**Victory Academy of Toledo**  
**Lucas County**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

**Reconciliation of Operating Loss to Net**  
**Cash Used for Operating Activities:**

|                |             |
|----------------|-------------|
| Operating Loss | (\$400,676) |
|----------------|-------------|

**Adjustments to Reconcile Operating Loss to**  
**Net Cash Used for Operating Activities:**

|              |        |
|--------------|--------|
| Depreciation | 33,467 |
|--------------|--------|

Changes in Assets and Liabilities:

|  |          |
|--|----------|
| (Increase) in Due from Other Governments | (4,320)  |
| (Increase) in Accounts Receivable        | (12)     |
| (Increase) in Prepaid Expenses           | (4,260)  |
| Increase in Accounts Payable             | 22,334   |
| (Decrease) in Due to Other Governments   | (44,376) |
| (Decrease) in Accrued Wages and Benefits | (5,336)  |

|                   |         |
|-------------------|---------|
| Total Adjustments | (2,503) |
|-------------------|---------|

|  |             |
|--|-------------|
| Net Cash Used for Operating Activities | (\$403,179) |
|--|-------------|

The accompanying notes to the financial statements are an integral part of this statement.

VICTORY ACADEMY OF TOLEDO  
-A Community School-  
Lucas County

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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**I. Description of the School and Reporting Entity**

**Victory Academy of Toledo (VAT)** is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The mission of VAT is to provide students in Kindergarten through grade 8 an individualized, standards-based education that uses students' emerging interests and needs, in an interactive, hands-on, life based approach to the teaching lessons process and thus develop self-regulated learners who love to learn. VAT, which is part of Ohio's education program, is independent of any school district. VAT may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of VAT. On May 11, 2005, VAT (as Victory Learning Center Inc.) was issued a determination letter of tax-exempt status with the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the tax-exempt status of VAT.

VAT was approved for operation under a contract with the Lucas County Educational Service Center (LCESC) for an additional one year term commencing July 1, 2010 and ending June 30, 2011. LCESC is responsible for evaluating the performance of VAT and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. Under the terms of the contract LCESC will provide sponsorship services for a fee. See Note XI for further discussion of the sponsor services. Effective July 1, 2010 until June 30, 2011, VAT entered into an agreement with Constellation Schools (CS) to provide management services for the fiscal year. See Note XI for further discussion of this management agreement.

VAT operates under a five member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Directors controls VAT instructional facility staffed by ten certificated full time teaching personnel who provided services to 89 students.

**II. Summary of Significant Accounting Policies**

The financial statements of VAT 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 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. VAT also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its

VICTORY ACADEMY OF TOLEDO  
-A Community School-  
Lucas County

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. VAT has elected not to follow FASB guidance issued after November 30, 1989 for its proprietary activities. The more significant of VAT's accounting policies are described below.

**1. Basis of Presentation**

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

**2. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment 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. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. VAT prepares financial statements using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which VAT receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when the use is first permitted; matching requirements, in which VAT must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to VAT on a reimbursement basis. Expenses are recognized at the time they are incurred.

VICTORY ACADEMY OF TOLEDO  
-A Community School-  
Lucas County

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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**3. Cash**

All monies received by the Academy are accounted for by the Academy's management company, Constellation Schools. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for the presentation of the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

**4. Budgetary Process**

As required by its sponsor, VAT prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year. VAT will from time to time adopt budget revisions as necessary. As required by Ohio Revised Code Chapter 5705.391, VAT prepares a five year forecast of revenues and expenditures.

**5. Due From Other Governments**

Monies due VAT from state and federal grants for the year ended June 30, 2011 are recorded as Due From Other Governments. A current asset for the receivable amount is recorded at the time of the event causing the monies to be due.

**6. Capital Assets and Depreciation**

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the dates received. All items with a useful life of one year or greater and a value of \$1,500 or more are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated except for land. Depreciation of buildings, building improvements, computers, technology and furniture and equipment is computed using the straight line method over their estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets or less. Estimated useful lives are as follows:

VICTORY ACADEMY OF TOLEDO  
-A Community School-  
Lucas County

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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| <b>Capital Asset Classification</b> | <b>Years</b>      |
|-------------------------------------|-------------------|
| Building Improvements               | Life of the Lease |
| Furniture, Fixtures and Equipment   | 5                 |

**7. Intergovernmental Revenues**

VAT currently participates in the State Foundation Program, the State Poverty Based Assistance Program and the Federal State Fiscal Stabilization Funds Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. VAT also participates in Federal Entitlement Programs, the Federal Lunch Reimbursement Program, the American Recovery and Reinvestment Act, Race to the Top, Education Jobs and various State Grant Programs. State and Federal Grants and Entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Amounts awarded under the above named programs for the 2011 school year totaled \$978,738.

**8. Liabilities Payable**

VAT has recognized certain liabilities on its statement of net assets relating to expenses, which are due as of June 30, 2011. These include Accounts payable – payments due vendors for materials or services; Accrued Wages and Benefits – salaries and benefits for staff services rendered through June 30, 2011 but paid during the summer; and Due Other Governments – monies due the Ohio Department of Education for foundation support overpayments made for fiscal year ended June 30, 2010.

**9. Compensated Absences**

Vacation is taken in a manner which corresponds with the school calendar; therefore, VAT does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one and one-quarter day per month and can be accrued up to a maximum of one hundred twenty days. VAT will accept the transfer of sick days from another school district up to the maximum accrual amount. No financial accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

VICTORY ACADEMY OF TOLEDO  
-A Community School-  
Lucas County

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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**10. Use of 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.

**11. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. VAT applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. All of VAT's net assets are unrestricted at year end.

**III. Deposits**

At fiscal year end June 30, 2011, the carrying amount of VAT' deposits totaled \$77,637 and its bank balance was \$82,359. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2011, none of the bank balance was exposed to custodial risk as discussed below, while \$82,359 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, VAT will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of VAT.

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NOTES TO THE FINANCIAL STATEMENTS  
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**IV. Purchased Services**

Purchased Services include the following:

|                             |                  |
|-----------------------------|------------------|
| Instruction                 | \$41,174         |
| Pupil Support Services      | 45,615           |
| Staff Development & Support | 12,537           |
| Administrative              | 128,953          |
| Occupancy Costs             | 93,604           |
| Food Services               | 46,055           |
| Student Activities          | <u>1,538</u>     |
| Total Purchased Services    | <u>\$369,476</u> |

**V. Facility & Equipment Leases**

VAT signed an operating lease, and amendments, for the period February 1, 2005, through June 30, 2011 with St. James Holiness Church of God in Christ to lease a school facility. The lease is cancelable at the option of VAT. Total lease payments made during the year were \$75,500 all of which had been paid as of June 30, 2011. The lease expired in June 2011.

VAT signed two operating leases for 60 months effective May 2007 and January 2008 with Bank of America Leasing for the use of copiers. Total payments made during the year were \$4,188. These leases were terminated subsequent to year end.

VICTORY ACADEMY OF TOLEDO  
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NOTES TO THE FINANCIAL STATEMENTS  
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**VI. Capital Assets**

A summary of capital assets at June 30, 2011 follows:

|   | <u>Balance</u><br><u>6/30/10</u> | <u>Additions</u>  | <u>Deletions</u> | <u>Balance</u><br><u>6/30/11</u> |
|---|----------------------------------|-------------------|------------------|----------------------------------|
| Capital Assets Being Depreciated                      |                                  |                   |                  |                                  |
| Building Improvements                                 | \$325,700                        | \$0               | \$0              | \$325,700                        |
| Furniture, Fixtures and Equipment                     | <u>162,358</u>                   | <u>0</u>          | <u>0</u>         | <u>162,358</u>                   |
| Total Capital Assets Being Depreciated                | <u>488,058</u>                   | <u>0</u>          | <u>0</u>         | <u>488,058</u>                   |
| Less Accumulated Depreciation                         |                                  |                   |                  |                                  |
| Building Improvements                                 | (295,700)                        | (30,000)          | 0                | (325,700)                        |
| Furniture, Fixtures and Equipment                     | <u>(158,891)</u>                 | <u>(3,467)</u>    | <u>0</u>         | <u>(162,358)</u>                 |
| Total Accumulated Depreciation                        | <u>(454,591)</u>                 | <u>(33,467)</u>   | <u>0</u>         | <u>(488,058)</u>                 |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$33,467</u>                  | <u>(\$33,467)</u> | <u>\$0</u>       | <u>\$0</u>                       |

**VII. Risk Management**

**1. Property and Liability Insurance**

VAT is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2011, VAT contracted with Ohio Casualty for all of its' insurance.

General liability is covered at \$1,000,000 single occurrence limit and \$2,000,000 aggregated. Employee benefit liability is covered at \$1,000,000 single occurrence



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and \$3,000,000 aggregated. General liability personal and advertising injury is covered for \$1,000,000. Products/Completed Operations are covered at \$2,000,000. Other coverage includes fire damage, real and personal property, computer coverage and personal medical expenses.

**2. Workers' Compensation**

VAT makes premium payments to the Ohio Worker's Compensation System for employee injury coverage.

**3. Employee Medical, Dental, Vision and Life Benefits**

VAT provides medical, dental, vision and life insurance benefits to all full time employees. Employees participate in premium payments through pretax payroll deductions. Total insurance benefits expense paid by VAT for the fiscal year is \$46,467.

**VIII. Defined Benefit Pension Plans**

**1. State Teachers Retirement System**

VAT participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371, by calling toll-free 1-888-227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and 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

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transfer to the DB plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB Plan benefits are established under Chapter 3307 of the Ohio 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 members' three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years, and so on) until 100% of the 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. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio 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 members' designated beneficiary is entitled to receive the member's account balance.

Member contributions in the Combined Plan are allocated by the member, and employer contributions are used to fund a defined benefit payment. A members' defined benefit is determined by multiplying 1% of the members' final average salary by the members' years of service credit. The defined portion of the Combined Plan is payable to a member on or after age 60. The defined

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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 following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during 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.

The DB and Combined Plan offer access to health 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 Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011 (the latest year available), were 10% of covered payroll for members and 14% for employers.

VAT's required contributions for pension obligations for the fiscal years ended June 30, 2011, 2010 and 2009 were \$52,179, \$37,529 and \$48,115, respectively; 100% has been contributed for fiscal years 2011, 2010 and 2009. Member and employer contributions actually made for DB, DC and Combined Plan participants will be provided upon written request.

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**2. School Employees Retirement System**

VAT 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. The report can be obtained by contacting SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free 1-800-878-5853. 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% of their annual covered salary and VAT is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. VAT's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$4,949, \$6,941 and \$20,768, respectively.

**IX. Post-Employment Benefits Other than Pension Benefits**

**1. State Teachers Retirement System**

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 Section 3307 of the Ohio 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.

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Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2011, 2010 and 2009 VAT's contributions to post-employment health care were \$4,014, \$2,887 and \$3,701 respectively.

**2. School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio administers two post-employment benefit plans. 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 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 Part B Fund. For fiscal year 2011 the actuarially required allocation is .76%. For the fiscal years ended June 30, 2011, 2010 and 2009 VAT contributions to Medicare Part B were \$269, \$358 and \$1,714, respectively.

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 a statutory authority to fund SERS' postemployment benefits through employee contributions. Active members do not make contributions to the postemployment 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

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14% contribution to the Health Care Fund. For the year ended June 30, 2011 the health care allocation is 1.43%. 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. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the fiscal years ended June 30, 2011, 2010 and 2009 VAT contributions to the Health Care Plan, including the surcharge were \$1,147, \$2,270 and \$9,504, respectively

**X. Contingencies**

**1. Grants**

VAT received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs 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 VAT. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of VAT at June 30, 2011.

**2. Enrollment FTE**

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2011 have not yet been received. A balance of \$28,523 due the state from fiscal year 2010 is included in the financial statements as Due to Other Governments.

**XI. Sponsorship and Management Agreements**

VAT entered into an agreement with Lucas County Educational Service Center (LCESC) to provide sponsorship and oversight services as required by law. Sponsorship fees are calculated as 1.5% of the Fiscal Year 2011 Foundation payments received by VAT, from

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the State of Ohio. The total amount due from VAT for fiscal year 2011 was \$9,111, all of which was paid prior to June 30, 2011.

VAT entered into an agreement with Constellation Schools LLC to provide superintendent, treasurer and other management services for fiscal year 2011. The agreement was for a period of one year, effective July 1, 2010. Management fees are calculated as 6% of the Fiscal Year 2011 Foundation and State Fiscal Stabilization Funds payment received by VAT from the State of Ohio plus a fixed fee of \$55,000. The total amount due from VAT for the fiscal year ending June 30, 2011 was \$96,085 all of which was paid prior to June 30, 2011.

**XII. School Closure**

At the June 15, 2011 board meeting the board voted to suspend operations of the school for the 2012 school year. At the August 29, 2011 board meeting the board voted to cease operations by dissolving the school corporation and the board.

VAT has followed the closing procedures presented by ODE. These procedures include official notification to be made to ODE, retirement systems, students' families and the community. The procedures also deal with the disposition of assets and the preparation of financial statements.

As of the date of this report, VAT has a cash balance of \$3,827. All payables and receivables outstanding at June 30, 2011 have been paid and collected. Total expenditures and cash receipts subsequent to June 30, 2011 and through the report date are \$121,434 and \$47,624, respectively. Once all liabilities are liquidated any residual cash balance, if any, will be returned to the Ohio Department of Education as required by Ohio Revised Code 3314.07.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Victory Academy of Toledo  
Lucas County  
5730 Broadview Road  
Parma, Ohio 44134

We have audited the accompanying basic financial statements of the Victory Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2011, as listed in the table of contents, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 6, 2012 in which we noted that the Academy ceased operations as of June 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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. 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. We identified the following deficiency in internal control that we consider to be a significant deficiency.



### Significant Deficiency

#### *Capital Asset Records*

The Academy has a capital asset policy, but does not follow the policy and does not maintain capital asset records. While the recorded property and equipment is fully depreciated, lack of detailed capital asset records may preclude properly accounting for assets sold or disposed of. Additionally, lack of detailed capital asset records could allow capital assets to be misappropriated and not detected.

We recommend that the Academy follow its capital asset policy and maintain detailed capital asset records and reconcile these records to the general ledger. Specifically, capital asset records should include the following data as noted in the Academy's policy:

- Description of the asset
- Asset classification
- Cost, voucher number and vendor name
- Date placed in service
- Depreciation method
- Depreciation expense and accumulated depreciation for the year
- Date asset retired and selling price if applicable

#### *Management's Response:*

Attempts to locate detailed capital asset records were made by Constellation Schools (management company) upon the initiation of the management contract in July 2010. Despite requests of previous treasurers and a search through the records provided to Constellation Schools all that could be located was a depreciation schedule summarized by asset classification. No capital assets were purchased during the fiscal year and those already capitalized were fully depreciated during the year. It is the policy and practice of Constellation Schools to record, track and inventory capital assets in compliance with state and federal laws and appropriate accounting standards.

#### Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Victory Academy of Toledo in a separate letter dated March 6, 2012.

Board of Directors  
Victory Academy of Toledo

The Victory Academy of Toledo's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Academy's Board of Directors and management, and the Academy's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Weber Brian Ltd".

March 6, 2012

VICTORY ACADEMY OF TOLEDO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011

Significant Deficiency: The Academy did not maintain capital asset records.

Current Status: Not Corrected. This finding has been repeated in the current year report.



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Victory Academy of Toledo  
5730 Broadview Road  
Parma, OH 44134

To the Board of Directors:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 16, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in black ink, appearing to read 'Weber O'Brien Ltd.', is written over a faint, larger version of the company logo.

March 6, 2012



# Dave Yost • Auditor of State

VICTORY ACADEMY OF TOLEDO

LUCAS COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 8, 2012