



Dave Yost • Auditor of State

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Value Learning and Teaching Academy
Hamilton County
1100 Sycamore Street
Cincinnati, Ohio 45202

To the Board of Directors:

We have audited the accompanying basic financial statements of the Value Learning and Teaching Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Value Learning and Teaching Academy, Hamilton County, Ohio, as of June 30, 2012, and the changes in financial position and its cash flows 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 June 6, 2013, 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.

As discussed in Note 16 to the financial statements, the Academy has suffered recurring losses from operations and has a net asset deficiency. Management has disclosed their plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

June 6, 2013

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

The discussion and analysis of VLT Academy (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. 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

Key financial highlights for fiscal year 2012 are as follows:

- Net Assets totaled \$(336,355) at the close of the 2012 Fiscal Year's operations. The principal components are Invested Capital Assets and negative Unrestricted Surplus due to the excess of Current Liabilities over Current Assets.
- Total assets \$786,075 consists of Depreciated Net Assets, Cash in Bank, Security Deposit, and Intergovernmental Receivables.
- Total Liabilities \$1,122,430 consist of Accrued Wages and Benefits and Trade Payables and non-current liabilities.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity. Therefore, the entity-wide and the fund presentation information is the same.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. This statement reports the Academy's net assets, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy buildings and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

Table 1 provides a summary of the Academy's net assets for fiscal year 2012 compared with fiscal year 2011.

Table 1

Net Assets		
	2012	2011
Assets:		
Current Assets	\$ 152,242	\$ 21,952
Non-Current Assets	633,833	576,742
	-----	-----
Total Assets	786,075	598,694
	-----	-----
Liabilities:		
Current Liabilities	810,912	699,930
Non-Current Liabilities	311,518	311,518
	-----	-----
Total Liabilities	1,122,430	1,011,448
Net Assets		
Invested in Capital Assets (Net of Related Debt)	573,775	516,684
Unrestricted	(910,130)	(929,438)
	-----	-----
Total Net Assets	\$ (336,355)	\$ (412,754)
	=====	=====

Total net assets of the Academy increased by \$76,399 from prior fiscal year due to the increase in cash on hand and other assets at year end.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

Table 2 shows the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

Table 2

Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Foundations Payments and		
State Special Education Payments	\$5,729,398	\$5,009,480
Other	69,683	64,896
Non-Operating Revenues:		
Federal Grants and State Grants	2,947,608	2,311,120
Total Revenues	----- 8,746,689	----- 7,385,496
Operating Expenses:		
Salaries	3,859,260	3,346,859
Fringe Benefits	994,725	805,568
Purchased Services	3,227,683	3,183,448
Materials and Supplies	278,627	227,786
Depreciation Expense	215,000	211,512
Other Expenses	94,995	51,736
Non-Operating Expenses:	-	-
Total Expense	----- 8,670,290	----- 7,826,909
Change in Net Assets	\$ 76,399	\$ (441,413)
Net Assets Beginning Year	(412,754)	28,659
Net Assets at End of Year	----- \$ (336,355) =====	----- \$ (412,754) =====

Operating revenues increased \$724,705 during fiscal year 2012, due to an increase in enrollment. Also, Non-Operating Revenues increased \$636,488 during fiscal year 2012 due to an increase in grant funding.

Total expenses for the Academy increased by \$843,381 for fiscal year 2012 compared with fiscal year 2011. Increases in expenditures were due in part to increase in salaries and fringes benefits being offset by increases in grant revenues.

Capital Assets

The Academy has an additional \$272,091 invested in capital assets, less additional accumulated depreciation of \$215,000 for a net increase in invested in capital assets of \$57,091 at the end of fiscal year 2012. See Notes 6 of the notes to the basic financial statements for more detail information on the Academy's capital assets

Current Financial Issues

V L T Academy, Hamilton County, Ohio (the Academy), was formed in 2005. During the 2011-2012 school year there were approximately 819 students enrolled in the Academy. The Academy receives its finances mostly from state aid and federal and state grants.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the money it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to V L T Academy, 1100 Sycamore, Suite 300, Cincinnati, Ohio, 45202.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

	2010
Assets	
Current Assets	
Equity in pooled cash and cash equivalents	\$ 78,760
Intergovernmental Receivables	73,482
Total Current Assets	152,242
Non-Current Assets	
Security Deposits	60,058
Capital Assets (Net of Accumulated Depreciation)	573,775
Total Non-Current Assets	633,833
Total Assets	\$ 786,075
Liabilities	
Current Liabilities	
Accounts Payable	243,215
Accrued Wages Payable	388,109
Intergovernmental Payable	44,717
Current Maturities of Long-Term Lease Payable	134,871
Total Current Liabilities	810,912
Non-Current Liabilities:	
Long-Term Lease Payable, Net of Current Maturities	53,400
Real Estate Taxes Payable	258,118
Total Non-Current Liabilities	311,518
Total Liabilities	1,122,430
Net Assets	
Investment in Capital Assets (Net of Related Debt)	573,775
Unrestricted	(910,130)
Total Net Assets	\$ (336,355)

See accompanying notes to the basic financial statements

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

Operating Revenues:	
State Foundation Payments	\$ 5,580,033
State Special Education Payments	149,365
Other Revenues	69,683
Total Operating Revenues	<u>5,799,081</u>
Operating Expenses	
Salaries	3,859,260
Fringe Benefits	994,725
Purchased Services	3,227,683
Materials and Supplies	278,627
Depreciation	215,000
Miscellaneous	94,995
Total Operating Expenses	<u>8,670,290</u>
Operating Loss	<u>(2,871,209)</u>
Non-Operating Revenues (Expenses)	
Federal and State Grants	2,551,255
Federal and State Meal Subsidies	396,353
Total Non-Operating Revenues (Expenses)	<u>2,947,608</u>
Change in Net Assets	76,399
Net Assets at Beginning of Year	<u>(412,754)</u>
Net Assets at End of Year	<u><u>\$ (336,355)</u></u>

See accompanying notes to the basic financial statements

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

Increase / Decrease in Cash

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 5,729,398
Cash Received from Other Operating Sources	69,683
Cash Payments to Suppliers for Goods and Services	(3,468,106)
Cash Payments to Employees for Services & Benefits	(4,802,382)
Cash Payments for Other Operating Activities	<u>(73,820)</u>
Net Cash Used in Operating Activities	<u><u>(2,545,227)</u></u>

Cash Flows from Noncapital Financing Activities

Cash Received from Grants - Federal and State Grants	<u>2,896,078</u>
Net Cash Provided by Noncapital Financing Activities	<u><u>2,896,078</u></u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(272,091)</u>
Net Cash Used in Capital Financing Activities	<u><u>(272,091)</u></u>

Net Increase in Cash 78,760

Cash, Beginning of Year -

Cash, End of Year \$ 78,760

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss (2,871,209)

Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities

Depreciation 215,000

Changes in Assets and Liabilities

Increase in Accounts Payable 130,184

Increase in Accrued Wages 85,283

(Decrease) in Overdrawn Bank Balance (50,752)

(Decrease) in Intergovernmental Payable (9,998)

(Decrease) in Compensated Absences Payable (43,735)

Total Adjustments 325,982

Net Cash Used in Operating Activities \$ (2,545,227)

See accompanying notes to the basic financial statements

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**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

V L T Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through Twelve. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission 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. V L T Academy is organized as a Non-Profit entity under Section 501c (3) of the Internal Revenue Code. The Academy was approved for operation under contract with the Educational Resources Corporation of Ohio (the Sponsor) for a period of five years commencing July 1, 2005. The Sponsor is responsible for evaluating 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.

The Academy operates under the direction of a minimum five-member Board of Directors. The Board of Directors 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 qualifications of teachers.

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, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation – Enterprise Accounting

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Measurement Focus/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. Net assets are segregated into investments in capital assets and unrestricted components.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Community schools must adopt a spending plan under Ohio Revised Code, Section 5705.391 that requires annual appropriation and annual revenues estimates. The contract between the Academy and its sponsor, The Educational Resource Consultants of Ohio, require the academy to comply with a financial plan that details an estimated budget for each year of the contract.

D. Cash Deposits

All monies received by the Academy are maintained in a demand deposit account. Total cash for all funds is presented as "cash" on the accompanying statement of net assets.

E. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of furniture and equipment, food service equipment, and vehicles and capitalized leases is computed using the straight-line method over the estimated useful life of three to eight years.

Improvements (leasehold) to capital assets are depreciated over the remaining useful lives of the related capital assets.

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, including Special Education funding. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Amount awarded under the above program for the 2012 fiscal year totaled \$5,729,398.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used is 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. Amount awarded under the above federal and state programs for the 2012 fiscal year totaled \$2,947,608.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for required food service operations and federal and state grants restricted to expenditures for specified purposes.

The Academy applies restricted resources when expenses for purposes for which both restricted and unrestricted net assets are available.

3. DEPOSITS

At June 30, 2012, the carrying amount of the Academy's deposits was \$78,760. The bank balance was \$105,420. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures" as of June 30, 2012, the Academy's bank balance was covered by the Federal Deposit Insurance Corporation.

4. RECEIVABLES

Receivables totaling \$73,482 at June 30, 2012 primarily consisted of intergovernmental (e.g. federal grants) receivables. All intergovernmental receivable are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

National Nutrition Program	\$ 46,713
Title I	26,769

Total Receivables	\$ 73,482
	=====

5. SECURITY DEPOSIT

The lease stipulates that advance rent payments be made at the beginning of the lease that will be credited to the Academy's rental payment during the last year of the lease term. Accordingly, \$50,029 was remitted for the 1100 Sycamore Street lease during the 2006 Fiscal Year. In August of 2006, the second and final advance rent installment of \$10,029 was remitted to the Landlord.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

6. CAPITAL ASSETS

A summary of the Academy's capital asset activity for the fiscal year ended June 30, 2012 follow:

	Beginning Balance <u>7/1/2011</u>	Additions	Retirements	Ending Balance <u>6/30/2012</u>
<u>Depreciable Capital Assets</u>				
Leasehold Improvements	\$ 885,006	\$ 74,710	\$ -	\$ 959,716
Furniture and Equipment	877,147	197,381	-	1,074,528
Vehicles	<u>56,665</u>	<u>-</u>	<u>-</u>	<u>56,665</u>
Depreciable Capital Assets	1,818,818	272,091	-	2,090,909
<u>Accumulated Depreciation</u>				
Leasehold Improvements	725,402	65,278	-	790,680
Furniture and Equipment	562,566	142,639	-	705,205
Vehicles	<u>14,166</u>	<u>7,083</u>	<u>-</u>	<u>21,249</u>
Total Depreciation	1,302,134	215,000	-	1,517,134
<u>Net Capital Assets</u>				
Leasehold Improvements	159,604	9,432	-	169,036
Furniture and Equipment	314,581	54,742	-	369,323
Vehicles	<u>42,499</u>	<u>(7,083)</u>	<u>-</u>	<u>35,416</u>
Total Net Capital Assets	<u>\$ 516,684</u>	<u>\$ 57,091</u>	<u>\$ -</u>	<u>\$ 573,775</u>

7. RISK MANAGEMENT

A. Property and Liability

The Academy 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 2012, the Academy contracted with Wells Fargo Insurance Agency for property and general liability insurance. General Liability, provided by Wells Fargo

Insurance Company contains a \$1,000,000 single occurrence limit and a \$1,000,000 aggregate and \$10,000,000 Umbrella. There is a \$2,500 deductible.

B. Workers Compensation

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the total gross payroll by a factor that is calculated by the State.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Plan - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate amount the four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$141,604, \$144,043, and \$238,853, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides basic retirement and disability benefits to members and death and survivors benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad ST., Columbus, OH 43215-3371, or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy

For fiscal year 2012, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligation to STRS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$422,477, \$208,916, and \$388,313, respectively; 100% has been contributed for fiscal years 2012, 2011, and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System.

9. POST EMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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, 1991 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 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 2012, the actuarially required allocation is .75%. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,062, \$1,080, and \$1,791, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. POST EMPLOYMENT BENEFITS (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including 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 plan respectively.

The ORC 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% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. 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. Statues 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 2012, 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. The Academy's contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$5,563, \$7,820, and \$19,970, respectively; 100% has been contributed for fiscal years 2012, 2011, and 2010.

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 benefits. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

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

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. POST EMPLOYMENT BENEFITS (Continued)

Funding Policy

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$30,177, \$25,989, and \$29,870, respectively; 100% has been contributed for the fiscal years 2012, 2011, and 2010.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the VLT Academy Board of Education. All employees who work more than 25 hours a week accumulate up to three personal days and five sick days each year. Administrative personnel receive vacation leave during summer hours.

B. Insurance Benefits

The Academy has purchased insurance from the McGohan Brabender Insurance Agency to provide employee medical/surgical and dental benefits. The Academy pays 80% of the monthly premium for employees only.

11. OPERATING LEASE

The Academy is currently committed under five non-cancelable leases with Sun Building Partners Ltd, specifically for the use of their school buildings. The leases are floors Basement-7 at 1100 Sycamore Street (Lease 1 and 2), and 316 Reading Road Cincinnati, Ohio (Lease 3) and 308 Reading Road Cincinnati, OH (Lease 4), 209 E. 12th Street Cincinnati, OH (Lease 5) and 1607 Mansfield Street Cincinnati, OH (Lease 6).

The Academy recognized an expense of \$1,591,743 during the current school period ending June 30, 2012. The landlord grants one option of five years to extend this lease beyond the initial lease period at a lease rate to be negotiated with the landlord and consummated at least sixty days prior to the end of any lease period. The annual lease amount is adjusted by the average increase in the U. S. Consumer Price Index for the twelve months from June 1 to May 31 for each year of the lease.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. OPERATING LEASE (Continued)

The minimum lease payments under the non-cancelable leases are as follows:

	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5	Lease 6	Total
	Sycamore flr 3-7	Sycamore flr bsmnt-2	316 Rding	308 Rding	12st St.	Mansfield	
FY2013	\$ 396,000	\$ 194,268	\$ 126,576	\$ 237,696	\$ 450,000	\$ 336,000	\$ 1,740,540
FY2014					450,000	336,000	786,000
FY2015					450,000	336,000	786,000
FY2016						336,000	336,000
Total	\$ 396,000	\$ 194,268	\$ 126,576	\$ 237,696	\$ 1,350,000	\$ 1,344,000	\$ 3,648,540

Also, see Note 12 regarding additional obligations owed to Sun Building Partners Ltd.

12. DEBT

The Academy had been working with Sun Building regarding the realestate taxes. Sun Building hired an attorney to help with a case to the Supreme Court where the Academy would not be liable for real estate taxes since we are a non-profit organization. A final determination was made December 15, 2011 that the Academy will not have to pay any taxes starting with Calendar year 2011 but is responsible for all previous taxes. Sun Building did not require the Academy to pay the taxes while the case was being reviewed. A payment plan has been set up with the landlord to pay the taxes.

VLT Academy had a few months where the Academy needed a loan. We were able to negotiate with the Landlord not to pay Sun Building for a few months but pay it back in FY12 or later. The Academy remained current with the rent to Triage.

Year Ending June 30, 2012						
Description	Issue Date	7/1/2011 Balance	New Debt Issued	Principal Retired	Interest Paid	6/30/2012 Balance
Long Term - realestate (SUN Building)	3/11/2010	\$ 258,118	-	-	-	\$ 258,118
Long Term - Back Rent	10/31/2010	188,271	-	-	-	\$ 188,271
Total		\$ 446,389	\$ -	\$ -	\$ -	\$ 446,389

The back rent payable is made up of a current portion and non-current portion as follows:

Current portion - back rent payable	\$ 134,871
Long term - back rent payable	<u>53,400</u>
	<u>\$ 188,271</u>

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data 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. For fiscal year 2012 the review has not been completed. The Academy does not believe that any variance between the amount received to date and the final payment made to the Academy will have any effect to the Academy's financial standing.

14. RELATED PARTY TRANSACTIONS

The Academy paid \$348,900 in custodial and maintenance services to CEED during fiscal year 2012. The owner of CEED is married to the Superintendent of VLT Academy.

Clyde Lee, husband of the Superintendent, is an employee of VLT Academy at a salary of \$65,000. His job title is Project Manager. Also, the daughter of the Superintendent, Echole Harris is employed by the Academy as the EMIS Coordinator/ Data Director/CFO Assistance to Grant at an annual salary of \$92,049.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

15. PURCHASED SERVICES

For the fiscal period July 1, 2011 through June 30, 2012, purchased service expenses were comprised of the following:

School Site Lease	\$1,627,127
Sponsor Fees	169,029
Utilities	234,076
Staff Development	106,962
Legal Fees	14,077
Student Testing	115,550
Security Service	30,205
Internet Service	3,061
Copier Maintenance	10,976
Textbooks	426
Student Transportation	4,410
Communications	19,090
Family/Community Events	9,292
Food Service Contract	407,237
Janitorial Service	352,073
Repair & Maintenance	12,896
State Software (EMIS)	24,364
Advertising	8,193
All Other	<u>78,639</u>
Total	<u>\$3,227,683</u>

16. MANAGEMENT'S PLAN FOR NET ASSETS DEFICIENCY

As of June 30, 2012, the Academy had a net asset deficiency of \$336,355 and for the fiscal year ended June 30, 2012, the Academy had an operating loss of \$2,871,209

Management has a plan to address the net asset deficiency and operating loss. For the fiscal year 2013 school year, management will consider implementing various cost cutting measures, including but not limited to removing excessive administrative positions, reductions in staff salaries, and negotiating with vendors for price reductions and other concessions. In addition, the Academy is looking to increase enrollment through a proactive marketing campaign and is currently applying for additional grant funding from the State and Federal government.

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**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR			Federal		
<i>Pass Through Grantor</i>	Fund	Federal	CFDA	Receipts	Disbursements
Program Title	Number	Number	Number		
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
Cash Assistance:					
School Breakfast Program	3L70	10.553		\$19,256	\$19,256
National School Lunch Program	3L60	10.555		336,519	336,519
Total Child Nutrition Cluster				<u>355,775</u>	<u>355,775</u>
Total U.S. Department of Agriculture				<u>355,775</u>	<u>355,775</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	3M00	84.010		685,405	648,667
ARRA-Title I Grants to Local Educational Agencies	3DK0	84.389		90,713	90,713
Total Title I Cluster				<u>776,118</u>	<u>739,380</u>
Special Education Cluster:					
Special Education Grants to States (IDEA Part B)	3M20	84.027		157,765	157,765
Total Special Education Cluster				<u>157,765</u>	<u>157,765</u>
School Improvement Grants Cluster:					
ARRA-School Improvement Grants, Recovery Act	3DP0	84.388		1,387,804	1,250,979
Total School Improvement Grants Cluster				<u>1,387,804</u>	<u>1,250,979</u>
Safe and Drug-Free Schools and Communities_State Grants	3DT0	84.186		10,000	10,000
Educational Technology State Grants (Title II-D)	3S20	84.318		4,894	4,894
Improving Teacher Quality State Grants (Title II-A)	3Y60	84.367		14,254	10,814
ARRA-State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive	3FD0	84.395		168,800	168,800
Education Jobs Fund	3ET0	84.410		8,291	8,291
Total U.S. Department of Education				<u>2,527,926</u>	<u>2,350,923</u>
Total				<u><u>\$2,883,701</u></u>	<u><u>\$2,706,698</u></u>

The accompanying notes are an integral part of this schedule.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.



Dave Yost • Auditor of State

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

Value Learning and Teaching Academy
Hamilton County
1100 Sycamore Street
Cincinnati, Ohio 45202

To the Board of Directors:

We have audited the basic financial statements of the Value Learning and Teaching Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2012, and have issued our report thereon dated June 6, 2013, wherein we noted that the Academy is experiencing financial difficulties. 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 material weaknesses, as defined above.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-01 and 2012-02.

Value Learning and Teaching Academy
Hamilton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated June 6, 2013.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses, and accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, and federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

June 6, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Value Learning and Teaching Academy
Hamilton County
1100 Sycamore Street
Cincinnati, Ohio 45202

To the Board of Directors:

Compliance

We have audited the compliance of the Value Learning and Teaching Academy, Hamilton 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 could directly and materially affect each of the Value Learning and Teaching Academy's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

As described in finding 2012-03 in the accompanying schedule of findings, the Academy did not comply with requirements regarding cash management applicable to its Title I Cluster and ARRA-School Improvement Grants, Recovery Act major federal programs. Compliance with this requirement is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Value Learning and Teaching Academy, Hamilton County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-03 to be a material weakness.

The Academy's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State
Columbus, Ohio

June 6, 2013

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified for all Major Programs except for Title I Cluster and ARRA-School Improvement Grants, Recovery Act.
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #10.553 and 10.555 – Child Nutrition Cluster; CFDA #84.010 and 84.389 – Title I Cluster; CFDA #84.388 – ARRA – School Improvement Grants, Recovery Act
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2012-01

Noncompliance

Ohio Rev. Code, Section 2921.42(A)(4), provides that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he or she is connected.

A "public official" is defined in **Ohio Rev. Code Section 2921.01(A)** as any elected or appointed officer, or employee, or agent of the state or any political subdivision, whether in a temporary or permanent capacity, and includes, but is not limited to, legislators, judges, and law enforcement officers.

Ohio Rev. Code Section 2921.42(C) states that **Ohio Rev. Code Section 2921.42** does not apply if all of the following four requirements are met:

- Goods or services are necessary;
- Goods or services are part of a continuing course of dealing or unobtainable elsewhere for same or lower cost;
- Preferential or same treatment as others; and
- The transaction is conducted at an arm's length

Furthermore, based on the **VLT Academy Business Manual Purchasing Guidelines Section Sealed Competitive Bidding Subsection**, the Academy is required to solicit bids for all expenditures for goods and services which will amount to greater than \$25,000. After receipt of the bids, the Academy's Board of Education shall approve the bid which is the most appropriate for the needs of the Academy.

The Academy approved a janitorial services bid for a vendor in which the vendor was not the lowest available bid and also the vendor's owner was an employee of the Academy and did not meet the four requirements of **Ohio Rev. Code Section 2921.42(C)**. There were a total of 3 bids made by vendors for performing janitorial services at the Academy, and the Academy chose to execute a contract with the highest bidder. Supporting documentation suggests the other vendors met all requirements of the bid notice and assured they would meet or exceed those requirements. The following bids were received by the Academy to perform janitorial services for fiscal year 2012:

- CEED Janitorial's submitted bid was \$303,900 (\$25,325 per month.)
- Showplace Cleaning Services Inc.'s submitted bid was \$216,000 (\$18,000 per month) plus \$84,000 (\$7,000 per month) as an additional estimate, by the Academy, based on lack of bid for cleaning services at 209 12th Street.) Total estimate of \$300,000.
- JP Building Services, Inc. submitted bid was \$194,952 (\$16,246 per month) plus \$18,300 (\$1,525 per month) as an additional estimate, by the Academy, based on projected charges for services to be provided on weekends, for emergencies and summer projects. Total estimate of \$213,252.

Effective July 1, 2011, the Academy accepted the bid from CEED Janitorial and entered into a contract for cleaning services in the amount of \$303,900 (\$25,325 per month.) Subsequent to the contract award, on August 25, 2011, the Academy entered into an additional, supplemental contract with CEED Janitorial for cleaning services at the School's facility at 1607 Mansfield Street for an additional \$45,000 (\$4,500 per month for a ten month period.) The final contract total for fiscal year 2012 was \$348,900.

**FINDING NUMBER 2012-01
(Continued)**

CEED Janitorial is owned by Mr. Clyde Lee Jr., who is the Superintendent's husband and is employed at the Academy as a Project Manager with a salary of \$65,000.

Failure to accept the lowest bid which meets all the bidding requirements of the Academy could lead to the Academy expending unnecessary monies for services that could be performed at a lower cost to the Academy and that would still meet the Academy's expectations. Also, by accepting a public contract with a public official of the Academy could lead to the Academy possibly violating Ohio Ethics Laws.

We recommend that the Academy consult with their legal counsel to review the requirements of Ohio Rev. Code Section 2921.42 to ensure that all public officials are transacting Academy business in accordance Ohio Ethics Law and if the requirements of the exception mentioned above are applicable, to document such compliance. In addition, the Academy should review all solicited bids and award bids in accordance with the VLT Academy Business Manual Purchasing Guidelines Section Sealed Competitive Bidding Subsection.

This matter will be referred to the Ohio Ethics Commission.

Officials' Response

In response to recommendations of the Auditor of State, for FY 2013-2014, Mr. Lee will no longer be employed by the Academy. The Academy is revising its job description for the janitorial contract to include the responsibilities of Project Manager. Bids will be solicited and awarded for Janitorial Services/Project Manager in accordance with VLT Guidelines. CEED has an opportunity, like other vendors, to bid on the Janitorial Service/Project Manager contract.

FINDING NUMBER 2012-02

Ohio Rev. Code, Section 2921.42(A)(1), provides that no public official shall knowingly authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

Whenever any statute, resolution, ordinance, rule, or policy requires that a particular public official participate in any part of the hiring process, the family members of that official cannot be hired by the public agency without a violation of R.C. 2921.42(A)(1). For example, R.C. 3319.07(A) states: "In all school districts and in service centers no teacher shall be employed unless such person is nominated by the superintendent of such district or center." There is a similar requirement for the nomination of administrative officials (including assistant superintendents, principals, assistant principals, and other administrators). R.C. 3319.02(B) and (C). Therefore, because the law requires that a superintendent nominate the hire of all teachers and administrators, a superintendent's family member cannot be hired by the district or service center without a violation of R.C. 2921.42(A)(1).

The Academy employed the Superintendent's daughter, Echole Harris to provide services as the EMIS Coordinator/Data Director/CFO Assistant to Grants in the Administration Office. During fiscal year 2012, Ms. Harris earned a salary of \$92,049. Additionally, the Academy employed the Superintendent's husband, Clyde Lee, Jr. to provide services as Project Manager in the Administration Office. During fiscal year 2012, Mr. Lee earned a salary of \$65,000. Separately, Mr. Lee's company CEED Janitorial was also awarded a biddable contract for janitorial services based on an amended contract totaling \$348,900.

**FINDING NUMBER 2012-02
 (Continued)**

We recommend that the Academy follow the requirements set forth in the Ohio Revised Code in regards to awarding contracts and hiring personnel.

This matter will be referred to the Ohio Ethics Commission.

Officials' Response

Effective FY 2013, Echole Harris will no longer be employed as an administrator under the supervision of the Superintendent. The responsibilities of Assistant CFO/EMIS/SOES Coordinator are transferred to the Treasurer. The Assistant CFO/EMIS/SOES Coordinator will report to the Treasurer.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance/Material Weakness – Cash Management

Finding Number	2012-03
CFDA Title and Number	Title I Part A Cluster - 84.010 and 84.389 ARRA - School Improvement Grant Recovery Act - 84.388
Federal Award Number / Year	2012
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

OMB Circular A-110 (2 CFR 215.22) states in part "a) Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205.

(b) Recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain:

- (1) Written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and
- (2) Financial management systems that meet the standards for fund control and accountability as established in 215.21. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs."

The Academy did not disburse federal funds from the Title I Fund within at least 30 days of receipt of these funds in 7 out of the 11 advances and 2 of the 3 ARRA – Title I requests tested. Additionally, the Academy did not disburse federal funds from the ARRA- School Improvement Grant Recovery Act within at least 30 days of receipt of these funds in 11 out of the 12 months tested.

**FINDING NUMBER 2012-03
(Continued)**

The Academy does not have procedures implemented to minimize the amount of time from the receipt of federal funds to the disbursement of these federal funds. In addition, the Academy did not expend Title I Funds advanced to them prior to requesting additional Title I Funds.

Failure to disburse federal funds in a timely manner could lead to the Academy receiving a reduction in federal funding or being denied the access to being advanced federal funds.

We recommend the Academy disburse federal funds in a timely manner. We also recommend the Academy implement procedures to minimize the amount of time between the receipt of federal funds and the disbursement of federal funds. We also recommend the Academy expend advanced funds prior to requesting additional funds.

Officials' Response

Effective FY 2013, The Treasurer meets with the Superintendent and the grant committee in determining the cash required and the disbursements to be made to the various vendors for the upcoming month. This process will ensure the timely disbursement of grant fund.

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**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code Section 2921.42(A)(4); Ohio Rev. Code Section 2921.42(C) and VLT Academy Business Manual Purchasing Guidelines – The Academy awarded a bid to a vendor owned by an employee of the school did not represent the lowest and best bid received.	No	Not Corrected Reissued as Finding 2012-01
2011-002	ORC 2921.42(A)(1) – The Superintendent signed her daughter's employment contract.	No	Reissued as Finding 2012-02
2011-003	Lack of internal controls over the payroll process. Employees not paid in full accordance with their employment contracts and salary schedules.	Yes	
2011-004	Lack of internal controls over preparation of the financial statements. Numerous errors identified.	Yes	
2011-005	Bank reconciliations did not fully reconcile the bank balance to the book balance.	Yes	
2011-006	Finding for Recovery - An employee salary overpayment in the amount of \$3,333 was found that was not for a proper public purpose.	No	The Board approved a repayment plan with the affected employees and the obligation is scheduled to be fully satisfied in FY 2013-14.
2011-007	2 CFR 225 Appendix A Section C(1)(d) – The Academy did not adhere to the guidelines of the Ed Jobs Fund federal grant in regards to allowable expenses due to lack of time and effort logs supporting the expense.	Yes	
2011-008	OMB Circular A-110 (2 CFR 215.22) – Relating to Cash Management Compliance, the Academy did not disburse advances of federal funds from the Title I Cluster and the State Fiscal Stabilization Fund (SFSF) federal grants within 30 days of receipt.	No	Not Corrected Reissued as Finding 2012-03

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**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-03	Effective FY 2013, The Treasurer meets with the Superintendent and the grant committee in determining the cash required and the disbursements to be made to the various vendors for the upcoming month. This process will ensure the timely disbursement of grant fund.	FY 2013	Treasurer Larry Lash

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Dave Yost • Auditor of State

VALUE LEARNING AND TEACHING ACADEMY

HAMILTON 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
JULY 9, 2013**