



OHIO AUDITOR OF STATE
KEITH FABER



**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Value Learning and Teaching Academy
Hamilton County
c/o: Educational Resource Consultants for Ohio
3401 Hamilton-Mason Road
Hamilton, Ohio 45011

To the Sponsor:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Value Learning and Teaching Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2014 and the period July 1, 2014 to August 1, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*.

Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, we were not able to obtain sufficient appropriate evidence to support an audit opinion.

Basis for Disclaimer of Opinion

Management has not provided written representations required by Auditing Standard Section AU-C Section 580, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Academy's accounting basis, the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility of the Academy's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants, the identification of all federal assistance programs, and compliance with federal grant requirements.

Ohio Admin. Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The Academy failed to prepare or file the financial statements with the Auditor of State for the period July 1, 2014 to August 1, 2014.

Disclaimer Opinion

Due to the significance of the matter discussed in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient representations to support an audit opinion. Accordingly, we do not express an opinion on financial activity of the Academy for the year ended June 30, 2014 and the period July 1, 2014 to August 1, 2014.

Emphasis of Matter

As discussed in Note 16 and Note 17 to the financial statements, the Academy experienced significant financial difficulties. Effective August 1, 2014, the Academy closed. As a result of civil litigation, the Hamilton County Common Pleas Court ordered the auction of equipment and other assets. As discussed in Other Matters, subsequent to closure of the Academy, the Academy's hard assets were liquidated and the vast majority of the proceeds were applied to satisfy the claims of unpaid line staff.

Other Matters

Subsequent Court Actions

After the Academy's 2014 closure its landlords filed suit to collect unpaid rent. The landlords obtained judgments totaling \$3,360,663. The Academy's hard assets were liquidated and the vast majority of the proceeds were applied to satisfy the claims of unpaid line staff. See generally, *Sun Bldg. Ltd. partnership v. Value Learning & Teaching Academy, Inc.*, 2017-Ohio-8727 (1st Dist.).

The Attorney General intervened in that case to pursue claims against Academy officials to recover public funds illegally disbursed by the Academy. The Hamilton County Court of Common Pleas held that the Academy paid out significant funds pursuant to contracts that violated R.C. 2921.42 and that those illegal contracts violated Ohio's Corrupt Practices Act. It therefore entered judgments of \$6,132,071.24 against Valerie Lee, \$5,448,520.23 against Clyde Lee, and \$328,188.38 against Echole Harris. See *Sun Bldg. Ltd. Partnership v. Value Learning & Teaching Academy*, 2018 Ohio Misc. LEXIS 2 (Hamilton C.P.). The judgments against Valerie Lee and Clyde Lee are secured by Corrupt Practices Act liens against all their present and future assets.

Valerie Lee, Clyde Lee, and Echole Harris have filed bankruptcy. Proceedings are ongoing in Bankruptcy Court to determine whether the judgments against Valerie Lee and Clyde Lee can properly be discharged in bankruptcy. Echole Harris has agreed that \$100,000 of the judgment against her is not dischargeable in bankruptcy. Any funds collected on those judgments will be paid into the Common Pleas Court for distribution to creditors and the schools districts where the Academy's students resided. See R.C. 3314.074.

Required Supplementary Information

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

Supplementary and Other Information

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. Due to the significance of the matter discussed in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient representations to support an audit opinion. Accordingly, as a result, we express no opinion or any other assurance on the schedule for the year ended June 30, 2014.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 11, 2019

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**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net Position totaled \$(489,532) at the close of the 2014 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 \$504,459 consists of Depreciated Net Assets, Cash in Bank, and Security Deposit.
- Total Liabilities \$993,991 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 Position, Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity. Therefore, the entity-wide and the fund presentation information is the same.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

Statement of Net Position

The Statement of Net Position answers the question, “How did we do financially during the fiscal year?” This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and 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 Position, 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.

Table 1 provides a summary of the Academy’s Net Position for fiscal year 2014 compared with fiscal year 2013.

Table 1

Net Position		
	2014	2013
Assets:		
Current Assets	\$ 33,920	\$ 419,080
Non-Current Assets	470,539	533,771
	-----	-----
Total Assets	504,459	952,851
	-----	-----
Liabilities:		
Current Liabilities	682,473	763,106
Non-Current Liabilities	311,518	311,518
	-----	-----
Total Liabilities	993,991	1,074,624
Net Position		
Invested in Capital Assets	410,481	473,713
Unrestricted	(900,013)	(595,486)
	-----	-----
Total Net Position	\$ (489,532)	\$ (121,773)
	=====	=====

Total Net Position of the Academy decreased by \$(367,759) from prior fiscal year due to the decrease 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, 2014
(Unaudited)**

Table 2 shows the changes in Net Position for fiscal year 2014 compared to fiscal year 2013.

Table 2

Changes in Net Position		
	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Foundations Payments	\$ 4,312,520	\$5,266,300
Other	85,765	39,910
Non-Operating Revenues:		
Federal Grants and State Grants	1,486,128	2,462,510
Total Revenues	5,884,413	7,768,720
Operating Expenses:		
Salaries	2,574,179	3,430,062
Fringe Benefits	785,327	872,603
Purchased Services	2,449,072	2,607,066
Materials and Supplies	99,406	186,166
Depreciation Expense	256,289	206,969
Other Expenses	87,899	251,272
Non-Operating Expenses:	-	-
Total Expense	6,252,172	7,554,138
Change in Net Position	\$ (367,759)	\$ 214,582
Net Position Beginning Year	(121,773)	(336,355)
Net Position at End of Year	\$ (489,532)	\$ (121,773)

Operating revenues decreased (\$907,925) during fiscal year 2014, due to decrease in enrollment. Also, Non-Operating Revenues decrease (\$976,382) during fiscal year 2014 due to an decrease in grant funding.

Total expenses for the Academy decrease by (\$1,301,966) for fiscal year 2014 compared with fiscal year 2013. Decreases in expenditures were due in part to decrease in salaries and fringes benefits and other operating expenditures being offset by decreases in grant revenues.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

Capital Assets

The Academy has \$410,481 invested in capital assets net of accumulated depreciation. See Note 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 2013-2014 school year there were approximately 616 students enrolled in the Academy. The Academy receives its finances mostly from state aid and federal and state grants.

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 the Academy's sponsor Educational Resource Consultants of Ohio (ERCO), 3401 Hamilton-Mason Rd., Suite A, Hamilton, Ohio, 45011.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

Assets	2014
Current Assets	
Equity in pooled cash and cash equivalents	\$ 33,920
Intergovernmental Receivables	-
Total Current Assets	33,920
Non-Current Assets	
Security Deposits	60,058
Capital Assets (Net of Accumulated Depreciation)	410,481
Total Non-Current Assets	470,539
Total Assets	\$ 504,459
 Liabilities	
Current Liabilities	
Accounts Payable	260,840
Accrued Wages Payable	200,513
Intergovernmental Payable	86,249
Compensated Absences Payable	-
Current Maturities of Long-Term Lease Payable	134,871
Total Current Liabilities	682,473
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	993,991
Net Position	
Investment in Capital Assets (Net of Related Debt)	410,481
Unrestricted	(900,013)
Total Net Position	\$ (489,532)

See accompanying notes to the basic financial statements

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Operating Revenues:	
State Foundation Payments	\$ 4,156,574
State Special Education Payments	155,946
Other Revenues	85,765
Total Operating Revenues	<u>4,398,285</u>
Operating Expenses	
Salaries	2,574,179
Fringe Benefits	785,327
Purchased Services	2,449,072
Materials and Supplies	99,406
Depreciation	256,289
Miscellaneous	87,899
Total Operating Expenses	<u>6,252,172</u>
Operating Loss	<u>(1,853,887)</u>
Non-Operating Revenues (Expenses)	
Federal and State Grants	1,143,282
Federal and State Meal Subsidies	342,846
Total Non-Operating Revenues (Expenses)	<u>1,486,128</u>
Change in Net Position	(367,759)
Net Position at Beginning of Year	<u>(121,773)</u>
Net Position at End of Year	<u><u>\$ (489,532)</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, 2014

Increase / Decrease in Cash

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 4,312,520
Cash Received from Other Operating Sources	85,765
Cash Payments to Suppliers for Goods and Services	(2,471,313)
Cash Payments to Employees for Services & Benefits	(3,497,528)
Cash Payments for Other Operating Activities	<u>(107,675)</u>
Net Cash Used in Operating Activities	<u>(1,678,231)</u>

Cash Flows from Noncapital Financing Activities

Cash Received from Grants - Federal and State Grants	<u>1,750,021</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,750,021</u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(193,057)</u>
Net Cash Used in Capital Financing Activities	<u>(193,057)</u>

Net Decrease in Cash (121,267)

Cash, Beginning of Year 155,187

Cash, End of Year \$ 33,920

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating Loss (1,853,887)

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

Depreciation 256,289

Changes in Assets and Liabilities

Increase in Accounts Payable 36,479

(Decrease) in Accrued Wages (160,043)

Increase in Intergovernmental Payable 42,931

Total Adjustments 175,656

Net Cash Used in Operating Activities \$ (1,678,231)

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, 2014**

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.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation – Enterprise Accounting

The Academy's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, 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 position, 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 position.

The statement of revenues, expenses and changes in net position present increases (e.g., revenues) and decreases (e.g., expenses) in net total net position. The statement of cash flows provides information about how the Academy finances and meets its cash flow need.

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.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position.

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.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. 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 2014 fiscal year totaled \$4,312,520.

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 programs for the 2014 fiscal year totaled \$1,486,128.

J. Net Position

Net position represents the difference between assets and liabilities. Net position 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 position 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, 2014, the carrying amount of the Academy's deposits was \$33,920. The bank balance was \$37,345. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures" as of June 30, 2014, the Academy's bank balance was covered by the Federal Deposit Insurance Corporation.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. RECEIVABLES

Receivables \$-0- at June 30, 2014 would 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.

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.

6. CAPITAL ASSETS

A summary of the Academy's capital asset activity for the fiscal year ended June 30, 2014 follow:

	Beginning			Ending
	Balance			Balance
<u>Depreciable Capital Assets</u>	<u>7/1/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2014</u>
Leasehold Improvements	\$ 964,519	\$ 22,870	\$ -	\$ 987,389
Furniture and Equipment	1,176,632	170,187	-	1,346,819
Vehicles	56,665	-	-	56,665
Depreciable Capital Assets	2,197,816	193,057	-	2,390,873
<u>Accumulated Depreciation</u>				
Leasehold Improvements	855,958	70,813	-	926,771
Furniture and Equipment	839,813	178,393	-	1,018,206
Vehicles	28,332	7,083	-	35,415
Total Depreciation	1,724,103	256,289	-	1,980,392
<u>Net Capital Assets</u>				
Leasehold Improvements	108,561	(47,943)	-	60,618
Furniture and Equipment	336,819	(8,206)	-	328,613
Vehicles	28,333	(7,083)	-	21,250
Total Net Capital Assets	\$ 473,713	\$ (63,232)	\$ -	\$ 410,481

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 2014, 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.

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 visiting SERS, website at WWW.ohsers.org under Employer/Audit Resources.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

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 among 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, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% 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, 2014, 2013, and 2012, were \$158,196, \$137,640, and \$141,604, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012

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.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (continued)

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. 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 ended 2013 (most recent information available), plan members were required to contribute 11% 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 11% 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, 2014, 2013 and 2012 were \$318,618, \$474,491, and \$422,477, respectively; 100% has been contributed for fiscal years 2014, 2013, and 2012.

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. As of June 30, 2014 all members of the Governing Board have elected Social Security. The Board's liability is 6.2% of those wages.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

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 2014, the actuarially required allocation is .76%. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,202, \$1,019, and \$1,062, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

Health Care Plan

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

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. POST EMPLOYMENT BENEFITS (continued)

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, 2014, the health care allocation is .14%. 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 2014, the minimum compensation level was established at \$20,250. 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, 2014, 2013, and 2012 were \$8,184, \$5,744, and \$5,563, respectively; 100% has been contributed for fiscal years 2014, 2013, and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or 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.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. POST EMPLOYMENT BENEFITS (continued)

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.

Funding Policy

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$22,758, \$33,892, and \$30,177, respectively; 100% has been contributed for the fiscal years 2014, 2013, and 2012.

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.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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), and 209 E. 12th Street Cincinnati, OH (lease 5).

The Academy recognized an expense of \$1,002,225 during the current school period ending June 30, 2014. 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.

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

	Lease 5	Lease 6	Total
	12st St.	Mansfield	
FY2015	450,000.00	336,000.00	786,000.00
FY2016		336,000.00	336,000.00
Total	450,000.00	672,000.00	1,122,000.00

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

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. DEBT

The Academy had been working with Sun Building regarding the real estate 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 we 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. We did stay current with our rent to Triage.

Year Ending June 30, 2014						
Description	Issue Date	7/1/2013 Balance	New Debt Issued	Principal Retired	Interest Paid	6/30/2014 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 and non-current portion as follows:						
			\$ 134,871			
			53,400			
			<u>\$ 188,271</u>			

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditures 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.

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. The review of fiscal year 2014 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.

Also, the Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for the fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

14. RELATED PARTY TRANSACTIONS

The Academy paid \$305,360 in custodial and maintenance services to CEED during fiscal year 2014. The owner of CEED is married to the Superintendent of VLT Academy.

Clyde Lee, husband of the Superintendent, was an employee of VLT Academy during part of fiscal year 2014 serving as Project Manager and earned \$10,833.

Also, the daughter of the Superintendent, Echole Harris is employed by the Academy as the EMIS Coordinator/ Data Director/Assistance to Grant at an annual salary of \$90,106.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. PURCHASED SERVICES

For the fiscal period July 1, 2013 through June 30, 2014, purchased service expenses were comprised of the following:

Property Services	\$ 1,026,048
Utilities	195,181
Janitorial Service	305,360
Professional Services	507,988
Food Service Contract	341,180
All Other	73,315
Total	<u>\$ 2,449,072</u>

16. NET POSITION DEFICIENCY

As of June 30, 2014, the Academy had a net position deficiency of \$489,532 and for the fiscal year ended June 30, 2014, the Academy had an operating loss of \$1,853,887.

17. SUBSEQUENT/CLOSURE OF THE ACADEMY

Effective August 1, 2014, the Academy was forced to close. The Sponsor chose not to renew the Academy's contract that expired June 30, 2014 and the Academy was unable to secure a new Sponsor, as required by State law, to continue operating.

As a result of civil litigation, the Hamilton County Common Pleas Court ordered the auction of equipment and other assets. The proceeds were ordered to be placed in a trust account controlled by the court. The final disposition of this case and remaining proceeds are pending as of January 31, 2017.

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**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Fund Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Cash Assistance:				
National School Breakfast Program	3L70	10.553	\$ 87,573	\$ 87,573
National School Lunch Program	3L60	10.555	244,093	244,093
Total Nutrition Cluster			<u>331,666</u>	<u>331,666</u>
Total U.S. Department of Agriculture			<u>331,666</u>	<u>331,666</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>				
Title I Cluster:				
ESEA Title I	3M00	84.010	677,529	692,594
Total Title I Cluster			<u>677,529</u>	<u>692,594</u>
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	3M20	84.027	198,826	192,908
Total Special Education Cluster			<u>198,826</u>	<u>192,908</u>
School Improvement Grants Cluster:				
School Improvement Grants	3AN0	84.377A	468,162	431,754
ARRA-School Improvement Grants, Recovery Act	3DP0	84.388	6,693	49,133
Total School Improvement Grants Cluster:			<u>474,855</u>	<u>480,887</u>
Improving Teacher Quality	3Y60	84.367	3,800	13,804
ARRA-Race to the Top - Stimulus	3FD0	84.395	52,165	52,885
Total U.S. Department of Education			<u>1,407,175</u>	<u>1,433,078</u>
Total			<u><u>\$ 1,738,841</u></u>	<u><u>\$ 1,764,744</u></u>

The accompanying notes are an integral part of this schedule.

**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompany Federal Awards Expenditures Schedule (the Schedule) reports the Value Learning and Teaching Academy (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 on this Schedule, the Academy assumes it expends federal monies first.

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S 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
c/o: Educational Resource Consultants for Ohio
3401 Hamilton-Mason Road
Hamilton, Ohio 45011

To the Sponsor:

We were engaged to audit the financial statements of Value Learning and Teaching Academy, Hamilton County, (the Academy) as of and for the year ended June 30, 2014 and the related notes to the financial statements, and have issued our report thereon dated April 11, 2019. We disclaimed our opinion as management has not provided the Auditor of State certain written representations required by Auditing Standard Section AU-C Section 580. Also, we did not opine on the financial statements for the period July 1, 2014 to August 1, 2014, because the Academy failed to prepare or file financial statements with the Auditor of State for the period July 1, 2014 to August 1, 2014.

Internal Control Over Financial Reporting

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

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

We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 to be material noncompliance.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

April 11, 2019

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S 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
c/o: Educational Resource Consultants for Ohio
3401 Hamilton-Mason Road
Hamilton, Ohio 45011

To the Sponsor:

Report on Compliance for Each Major Federal Program

We were engaged to audit the Value Learning and Teaching Academy, Hamilton County, Ohio (the Academy) compliance with the applicable 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, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

The Academy's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Academy Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Academy's, and Non-Profit Organizations*. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain written representation from management in order to opine on the Academy's major Federal programs as noted in the following section.

Basis for Disclaimer of Opinion

We were unable to obtain written representations from management as required by Auditing Standard Section AU-C 935.

Disclaimer of Opinion

Due to the significance of the matter discussed in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient representations to enable us to express, and we do not express, an audit opinion on the Academy's compliance with the requirements applicable to the Academy's major Federal programs.

Other Matters

The results of our tests disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-002. This finding does not require us to modify our compliance opinion on each major federal program.

Report on Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-002 to be a material weakness.

Value Learning and Teaching Academy
Hamilton County
Independent Auditor's Report on Compliance With Requirements Applicable
To Each Major Federal Program and Internal Control Over Compliance Required
By OMB Circular A-133
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

April 11, 2019

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**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR ENDED JUNE 30, 2014
AND THE PERIOD JULY 1, 2014 TO AUGUST 1, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Disclaimer
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(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	Disclaimer
(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 #84.377A and 84.388 – School Improvement Grants Cluster CFDA #84.027 – Special Education Cluster
(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 2014-001

Material Weakness/Noncompliance - Financial Statement Reporting

Ohio Rev. Code § 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38. Ohio Administrative Code § 117-2-03, states, in part, that all community schools shall file annual financial reports which are prepared using generally accepted accounting principles (GAAP). Also, entities must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Academy failed to prepare or file financial statements with the Auditor of State for the period July 1, 2014 to August 1, 2014.

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2014-002

Noncompliance/Material Weakness – Cash Management

Finding Number	2014-002
CFDA Title and Number	CFDA #84.027 – Special Education Cluster School Improvement Grant Cluster: CFDA #84.377 – School Improvement Grant CFDA #84.388 – School Improvement Grant, Recovery Act
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 C.F.R. 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. **34 C.F.R. 80.20(b)(7)** states procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

FINDING NUMBER 2014-002
(Continued)

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 C.F.R. 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the “Cash Management Act” 31 C.F.R. part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds must be expended within the period of time for which cash is requested.

- For the School Improvement Grant, 3 of 15 or 20% of the drawdowns were not spent within 30 days of receipt of funds.
- For the ARRA-School Improvement Grant, Recovery Act, 100% of the drawdowns were not spent within 30 days of receipt of funds.
- For the Special Education Cluster, 100% of the drawdowns were not spent within 30 days of receipt of funds.

We recommend the School review fund balances periodically to ensure all federal receipts are expended within the required period.

Officials’ Response:

We did not receive a response from Officials to this finding.

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**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code 149.351, requires all records that are the property of the public office concerned shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code.	Yes	
2013-002	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	Partially Corrected Reissued as Finding 2014-002 relating to the School Improvement Grants Cluster and the Special Education Cluster.

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**VALUE LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-002	The School closed effective August 1, 2014.	N/A	Larry Lash, Treasurer

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OHIO AUDITOR OF STATE
KEITH FABER



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
APRIL 23, 2019**