

Value, Learning, and Training Academy

Basic Financial Statements

Year Ended June 30, 2006

with

Independent Auditors' Report



Mary Taylor, CPA

Auditor of State

Board of Directors
Value Learning and Training Academy
1100 Sycamore Street
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditors' Report* of the Value Learning and Training Academy, Hamilton County, prepared by Foxx & Company, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 19, 2007

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VALUE, LEARNING, AND TRAINING ACADEMY

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INDEPENDENT AUDITORS' REPORT

Value, Learning, and Training Academy
Hamilton County, Ohio
1100 Sycamore Avenue
Cincinnati, Ohio 45202

To the Board of Trustees

We have audited the accompanying basic financial statements of the Value, Learning and Training Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with auditing principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2007 on our consideration of the School'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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Jaxx & Company

February 6, 2007

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2006**

The discussion and analysis of the Value, Learning, and Training (VLT) Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2006. 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

- Net assets totaled \$483,148 (Table I) at the close of the first Fiscal Year's operations.
- Total assets were \$659,176 (Table I) and consist of current assets of \$318,674 and depreciable net assets of \$340,502.
- The change in net assets (Table 2) was \$483,148.

Using this Financial Report and Overview of Financial Statements

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

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2006**

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer the question, “How did we do financially during 2006?” These statements include all assets, liabilities, revenues and expenses, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy’s net assets for fiscal year 2006.

(Table 1)
Net Assets

	2006
Assets	
Current	\$ 318,674
Capital Assets, Net	340,502
Total Assets	\$ 659,176
 Liabilities	
Current Liabilities	\$ 176,028
Total Liabilities	176,028
 Net Assets	
Invested in Capital Assets	340,502
Unrestricted Assets	142,646
Total Net Assets	\$ 483,148

Total assets increased \$659,176 for fiscal year 2006, which was the school’s first year of operations. The increase was due to increases in cash (\$241,948), intergovernmental receivables (\$26,697), prepaid (\$50,029) and capital assets net of depreciation (\$340,502).

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2006**

Table 2 shows the changes in net assets for fiscal year 2006, as well as a listing of revenues and expenses.

**(Table 2)
Changes in Net Assets**

	2006
Revenues	
Operating Revenues:	
Foundation Payments	\$ 2,385,495
Other Operating Revenues	1,160
Non-Operating Revenues:	
Federal and State Grants	466,173
Total Revenues	2,852,828
Expenses	
Operating Expenses	
Salaries	1,000,552
Fringe Benefits	318,748
Purchased Services	668,466
Materials and Supplies	113,718
Depreciation	85,125
Other Operating Expenses	99,667
Non-Operating Expenses	
Interest	4,072
Other Non-Operating Expenses	79,332
Total Expenses	2,369,680
Increase in Net Assets	\$ 483,148

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2006**

The net asset change for FY 2006 was due to revenue from foundation and grants, both federal and state, exceeding expenses for the fiscal year ending June 30, 2006. Total foundation payments of \$2,385,495 reflect average student attendance of 364 for grades K through 8 during 2006. Non-operating revenues consist of Federal and state grants of \$466,173. Operating revenue of \$100,378 was accomplished by assiduous management of expenditure levels by adopting flexible programs that kept the expenses within the confines of variable foundation payments as determined by student population shifts. Grant revenue was derived from entitlement programs, with Title I being the principal contributor plus reimbursement through the Federal Nutrition program.

The two largest components of operating expense were salaries and benefits (\$1,319,300) that constituted 57.7 percent of operating expense, and Purchased Services (\$668,466) which was 29.2 percent of operating expense. The main components of purchased services were facilities cost (\$357,073) and nutrition purchases (\$152,213). Depreciation expense (\$85,125) stemmed from the Academy policy of depreciating Academy Assets over a five year term. Other expense (\$183,071) was comprised of two principal components; charter preparation fees of \$75,000 and Sponsor fees of \$71,565.

Capital Assets

At the end of fiscal year 2006 the Academy had \$340,501 (net of \$85,125 in accumulated depreciation) invested in furniture, equipment, and leasehold improvements. See Table 3 for details:

**Table 3
Capital Assets at June 30, 2006
(Net of Depreciation)**

	2006
Leasehold Improvements	\$ 195,389
Furniture, Fixtures, and Equipment	<u>145,113</u>
Totals	<u><u>\$ 340,502</u></u>

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2006**

For more information on capital assets see Note 6 to the basic financial statements.

Current Financial Issues

Value, Learning, And Training Academy, Hamilton County, Ohio (the Academy), was formed in 2005. During the 2005-2006 school year there were approximately 364 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil Foundation aid for fiscal year 2006 amounted to \$6,554 per student.

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. If you have questions about this report or need additional information contact Robert Witt, Treasurer at Value, Learning, And Training Academy, 1100 Sycamore, Suite 300, Cincinnati, Ohio, 45202.

FINANCIAL STATEMENTS

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
STATEMENT OF NET ASSETS
as of June 30, 2006**

Assets

Current assets:

Equity in pooled cash and cash equivalents	\$ 241,948
Intergovernmental receivables	26,697
Prepaid items	<u>50,029</u>
Total current assets	318,674

Non current assets:

Capital assets:

Depreciable capital assets, net	<u>340,502</u>
Total non-current assets	<u>340,502</u>

Total assets	<u><u>\$ 659,176</u></u>
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Liabilities

Current liabilities:

Accounts payable	\$ 40,821
Accrued wages and benefits	117,114
Intergovernmental payable	<u>18,094</u>
Total current liabilities	176,028

Total liabilities	176,028
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Net assets

Invested in capital assets:	340,502
Unrestricted	<u>142,646</u>

Total net assets	<u><u>\$ 483,148</u></u>
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The accompanying notes are an integral part of the financial statements.

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2006**

Operating revenues	
Foundation payments	\$ 2,385,495
Other revenues	<u>1,160</u>
Total operating revenues	<u>2,386,654</u>
 Operating expenses	
Salaries	1,000,552
Fringe benefits	318,748
Purchased services	668,466
Materials and supplies	113,718
Depreciation	85,125
Other	<u>99,667</u>
Total operating expenses	<u>2,286,276</u>
 Operating income	 <u>100,378</u>
 Non-operating revenues and expenses	
Other federal and state grants	466,173
Interest	(4,072)
Other expenses	<u>(79,332)</u>
Total non-operating revenues and expenses	<u>382,769</u>
 Change in net assets	 483,148
 Net assets, beginning of year	 <u>-</u>
 Net assets, end of year	 <u>\$ 483,148</u>

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

**VALUE, LEARNING AND TRAINING ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
for the fiscal year ended June 30, 2006**

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities

Cash received from foundation payments	\$ 2,385,495
Cash received from other operating revenues	1,160
Cash payments to employees for services and benefits	(1,184,092)
Cash payments to suppliers for goods and services	(741,364)
Cash payments for other operating expenses	<u>(149,696)</u>
Net cash used for operating activities	<u>311,503</u>

Cash flows from noncapital financing activities

Federal and state grants received	439,476
Other non-operating expenses	<u>(79,332)</u>
Net cash provided by noncapital financing activities	<u>360,144</u>

Cash flows from capital and related financing activities

Payments for capital acquisitions	(425,627)
Proceeds from loans	50,000
Principal payments	(50,000)
Interest and fiscal charges	<u>(4,072)</u>
Net cash used for capital and related financing activities	<u>(429,699)</u>

Net increase in cash and cash equivalents	241,948
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 241,948</u></u>

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

**VALUE, LEARNING AND TRAINING ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
for the fiscal year ended June 30, 2006
(continued)**

**Reconciliation of operating income
to net cash used for operating activities**

Operating income	\$ 100,378
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**Adjustments to reconcile operating loss
to net cash used for operating activities**

Depreciation	85,125
Changes in assets and liabilities:	
Increase in prepaids	(50,029)
Increase in accounts payable	40,821
Increase in accrued wages payable	117,114
Increase in intergovernmental payable	<u>18,094</u>
Total adjustments	<u>211,125</u>

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

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Value, Learning, and Training 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 Eight. The Academy qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Academy 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.

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 five member Board of Directors. The Board of Directors is responsible for formulating policies to 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. The Board of Directors controls the Academy's one instructional/support facility staffed by 23 certificated full-time teaching personnel who provide services to 364 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Value, Learning, and Training Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

A. Basis of Presentation

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.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. The basis of Accounting

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they occur.

Revenues resulting from non exchange transactions, which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore no budgetary information is presented in the financial statements.

E. Prepaid Items

Payment made to vendors, lessors, or other contractors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, State Special Education Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The School also participates in other various Federal and/or State Programs through the Ohio Department of Education. Revenue received from these programs is recognized as non-operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under these programs for the 2006 school year was \$395,202.

G. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand 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 expensed.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

Description	Estimated Lives
Leasehold Improvements	5 Years
Furniture and Equipment	5 Years

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

All monies received by the School are accounted for by the School's Chief Financial Officer. All cash received by the Chief Financial Officer is held in an interest bearing central bank account. Total cash for the School is presented as Equity in Pooled Cash and Cash Equivalents on the accompanying Statement of Net Assets.

At fiscal year end, the carrying amount of the Academy's deposits (the bank balance) was \$241,948. Of the bank balance, \$100,000 was covered by federal depository insurance and \$141,948 was uninsured and uncollateralized.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

4. RECEIVABLES

Receivables at June 30, 2006, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year. The receivable balance at June 30, 2006 was from the Title I – Disadvantaged Children in the amount of \$26,697.

5. PREPAID ITEMS

At the beginning of the lease term for the building at 1100 Sycamore Street, the Academy paid, according to the lease terms, \$50,029 advance rent that is to be credited toward the Academy's rental payment during the last year of the lease.

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

6. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2006 consisted of the following:

	<u>Balance 6/30/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2006</u>
Leasehold Improvements	\$ -	\$ 244,236	\$ -	\$ 244,236
Furniture, Fixtures, and Equipment	-	181,391	-	181,391
Total Capital Assets Being Depreciated	-	425,627	-	425,627
Less Accumulated Depreciation:				
Leasehold Improvements	-	(48,847)	-	(48,847)
Furniture, Fixtures, and Equipment	-	(36,278)	-	(36,278)
Total Accumulated Depreciation	-	(85,125)	-	(85,125)
Total Capital Assets Being Depreciated, Net	<u>\$ -</u>	<u>\$ 340,502</u>	<u>\$ -</u>	<u>\$ 340,502</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. During fiscal year 2006, the Academy contracted with Acordia Insurance Agency for property and general liability insurance. General Liability, provided by Acordia Insurance Company, contains a \$1,000,000 single occurrence limit and a \$1,000,000 aggregate and \$10,000,000 umbrella coverage. There is a \$1,000 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 monthly total gross payroll by a factor that is calculated by the State.

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate for the Academy is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2006 was \$140,007; 99.4 percent has been contributed for fiscal year 2006.

B. State Teachers Retirement System of Ohio

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 retirement and disability benefits to members and death and survivor 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, by calling (614) 227-4090, 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 member contributions and earned interest matched by STRS Ohio funds divided by an actuarially

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2006, was \$108,355; 86 percent has been contributed for fiscal year 2006.

9. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certified employees and their dependents through the Academy Employees

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$9,060 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$3,232.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005,

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Trustees. All employees who work more than 25 hours a week are given three personal days and ten sick days each year. Administrative personnel receive vacation leave. No carryover of the personal day, sick days, and vacation leave is permitted. Therefore, there is no liability for benefits accrued at June 30, 2006.

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 percent of the monthly premium; covered employees pay the remaining 20 percent.

12. OPERATING LEASE

The Academy is currently committed under two non-cancelable leases with Sun Building Partners Ltd, specifically for the use of their school building. The original lease was signed for five years beginning September 1, 2005. The lease payments were \$24,750 per month for the period September 1, 2005 to August 31, 2006. The Academy recognized rent expense of \$247,500 during the current school period ending June 30, 2006. An additional lease was signed for five years beginning April 1, 2006 for a second building. The lease payments are \$10,029 per month during the term of the lease. For both leases, the annual rental payment amount are subject to a U.S. Consumer Price Index adjustment 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:

<u>Year ending June 30,</u>	<u>Lease 1</u>	<u>Lease 2</u>	<u>Total</u>
2007	\$ 333,000	\$ 120,350	\$ 453,350
2008	378,000	126,575	504,575
2009	396,000	126,575	522,575
2010	345,971	126,575	472,546
2011	-	126,575	126,575
Total	<u>\$ 1,452,971</u>	<u>\$ 626,650</u>	<u>\$ 2,079,621</u>

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

13. CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2006.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2006 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.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

C. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003.

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public education system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any on the Academy is not presently determinable.

14. RELATED PARTY TRANSACTIONS

The Academy paid \$36,480 in custodial and maintenance services to CEED during fiscal Year 2006. CEED is co-owned by School Superintendent Valerie Lee and her husband, Clyde Lee. Clyde Lee also received payments in the amount of \$32,321 as an independent contractor for services of contract and construction coordination related to leasehold improvements necessary for school opening and other school activities. Valarie Lee received payment for developer fees in the amount of \$75,000 for services performed relating to the creation of Value, Learning, and Training Academy's Articles of Incorporation. The Treasurer of the School, Robert Witt made a \$50,000 loan to the Academy which was repaid during the current school year.

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2006**

15. PURCHASED SERVICES

For the year ended June 30, 2006, purchased service expenses were comprised of the following:

School lease payments	\$ 247,500
Property insurance	22,699
Utilities	35,264
Staff development	25,435
Legal fees	16,087
Accounting fees	42,900
Student testing	9,530
Special education consulting	5,600
Internet service	15,633
Copier maintenance	5,401
Travel and meetings	7,531
Communications	18,493
Food service contracts	152,214
Janitorial service	36,480
Advertising	4,119
All other	<u>23,580</u>
 Total Purchased Services	 <u><u>\$ 668,466</u></u>

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



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

To the Board of Trustees
Value, Learning, and Training Academy

We have audited the basic financial statements of Value, Learning and Training Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2006, and have issued our report thereon dated February 6, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. The reportable conditions are described in the accompanying schedule of findings and responses as item 2006-01.

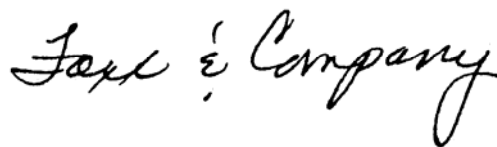
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, of the reportable conditions described above, we consider item 2006-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 that we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2006-02.

In a separate letter to the Academy's management dated February 6, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management, the finance committee and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jaxx & Company". The signature is written in black ink and is positioned to the right of the date and location information.

Cincinnati, Ohio
February 6, 2007

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS
June 30, 2006**

Finding Number	2006-01
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Criteria – Ohio Admin Code Section 117-2-02 regarding accounting records, requires community schools to properly track, safeguard, and maintain fixed asset records which shall include original cost, acquisition date, voucher number, the asset type, asset description, location, and tag number. Furthermore, good internal controls require periodic inventory of fixed assets.

Condition – The Academy does not properly track, safeguard, and maintain fixed asset records including original cost, acquisition date, voucher number, the asset type, asset description, location, and tag number. Also, the Academy does not perform a periodic physical inventory of fixed assets.

Effect – The Academy is not in compliance with Ohio Admin Code Section 117-2-02 (accounting records.) There is a significant risk of misappropriation of assets due to inadequate accounting procedures for fixed assets.

Cause – The Academy does not have written policies and procedures to account for fixed assets.

Recommendation – We recommend that the Academy develop and implement written policies and procedures to account for fixed assets. The Academy should maintain detailed fixed asset records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for assets. A physical inventory of fixed assets should be performed on an annual basis. Specifically, fixed asset records should include the following data:

- Description of the asset.
- Cost, voucher number and vendor name.
- Date placed in service.
- Estimated useful life.
- Depreciation method (for both accounting and tax purposes).
- Depreciation expense and accumulated depreciation for the year (for both accounting and tax purposes)
- Date asset retired and selling price if applicable.

Views of responsible officials and planned corrective action -

The cost of complying with this recommendation versus the benefits derived far outweighs the effort. Procedures do exist to protect equipment purchased. Teachers are charged with equipment in their care and account for it at year end. All Title money purchased equipment is recorded and periodically inventoried. The building contains security cameras. Each asset recorded is listed in the system and can be traced back to its original invoice.

**VALUE, LEARNING, AND TRAINING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS
June 30, 2006**

Finding Number	2006-02
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Criteria – ORC 3319-08 requires written contracts be created and maintained for all teachers and non-teaching employees.

Condition – According to Academy officials, the school does not create contracts for substitute teachers. Additionally, we were unable to obtain written executed contracts for the school’s project manager, CEED Janitorial, and the contract between superintendent and the Academy for writing the Academy’s charter.

Effect – This lack of internal control procedure could result in various legal complications in the event of corporate non compliance with a contract.

Cause – The Academy did not have adequate policies and procedures for written contracts with substitute teachers and non teaching employees.

Recommendation – We recommend that the Academy establish and implement policies and procedures to create written contracts for all teachers and non-teaching employees.

Views of responsible officials and planned corrective action -

The school does not create contracts for substitute teachers because there is no basis for a contract. Substitute teachers have no benefits nor are they guaranteed any remunerative time. The contract for Clyde Lee, Jr. and the contract for CEED Janitorial were recorded on the wrong instrument. The school neglected to have the School Attorney review those contracts. This is an oversight that the school will endeavor to avoid in future contract executions. The School board did approve the services by Mr. Lee and CEED.



Mary Taylor, CPA
Auditor of State

**VALUE, LEARNING AND TRAINING 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
OCTOBER 2, 2007**