

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
(A Component Unit of Reynoldsburg City School District)  
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

We have reviewed the *Independent Accountants' Report* of the Virtual Community School of Ohio, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2008 through June 30, 2009. 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 Virtual Community School of Ohio is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 22, 2010

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VIRTUAL COMMUNITY SCHOOL OF OHIO  
(A Component Unit of Reynoldsburg City School District)  
FRANKLIN COUNTY, OHIO

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## INDEPENDENT ACCOUNTANTS' REPORT

Members of the Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

To the Board of Directors:

We have audited the accompanying basic financial statements of the Virtual Community School of Ohio, Franklin County, Ohio (the School), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the School'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 Virtual Community School, as of June 30, 2009, and the changes in its financial position and its cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The federal awards, receipts and expenditures schedule is required by 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 basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC

December 11, 2009

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The management's discussion and analysis of the Virtual Community School of Ohio (the "VCS") financial performance provides an overall review of the VCS's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the VCS's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the VCS's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets were \$202,328 at June 30, 2009.
- The VCS had operating revenues of \$10,273,480 and operating expenses of \$11,201,782 for fiscal year 2009. The VCS also received \$1,156,050 in Federal and State grants during fiscal year 2009. Total change in net assets for the fiscal year was an increase of \$231,744.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the VCS's financial activities. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the VCS, including all short-term and long-term financial resources and obligations.

**Reporting the VCS Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2009?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the VCS's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the VCS as a whole, the financial position of the VCS has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the VCS finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

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**FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The table below provides a comparison of the VCS's net assets for fiscal years 2009 and 2008.

	<b>Net Assets</b>	
	<u>2009</u>	<u>2008</u>
<b><u>Assets:</u></b>		
Current assets	\$ 1,183,351	\$ 1,878,649
Non-current assets:		
Capital assets, net	<u>516,955</u>	<u>513,460</u>
Total assets	<u>1,700,306</u>	<u>2,392,109</u>
<b><u>Liabilities:</u></b>		
Current liabilities	1,467,918	2,072,877
Long -term liabilities:		
Payable to ODE	-	332,420
Compensated absences payable	<u>30,060</u>	<u>16,228</u>
Total liabilities	<u>1,497,978</u>	<u>2,421,525</u>
<b><u>Net assets:</u></b>		
Invested in capital assets	516,955	513,460
Restricted	6,028	100,606
Unrestricted (deficit)	<u>(320,655)</u>	<u>(643,482)</u>
Total net assets (deficit)	<u>\$ 202,328</u>	<u>\$ (29,416)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the VCS's net assets totaled \$202,328 of which \$6,028 is restricted in use.

At fiscal year-end, capital assets represented 30.40% of total assets. Capital assets consisted of copiers, computer equipment and furniture. Capital assets net of accumulated depreciation totaled \$516,955. Capital assets are used to provide services to the students and are not available for future spending.

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
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**FRANKLIN COUNTY, OHIO**

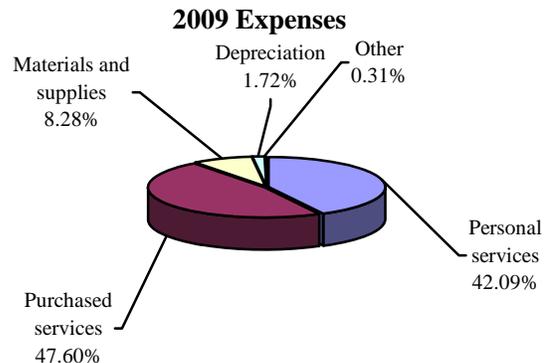
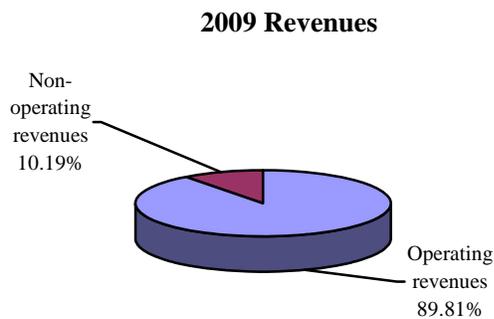
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The table below provides a comparative analysis of the changes in net assets for fiscal years 2009 and 2008.

**Change in Net Assets**

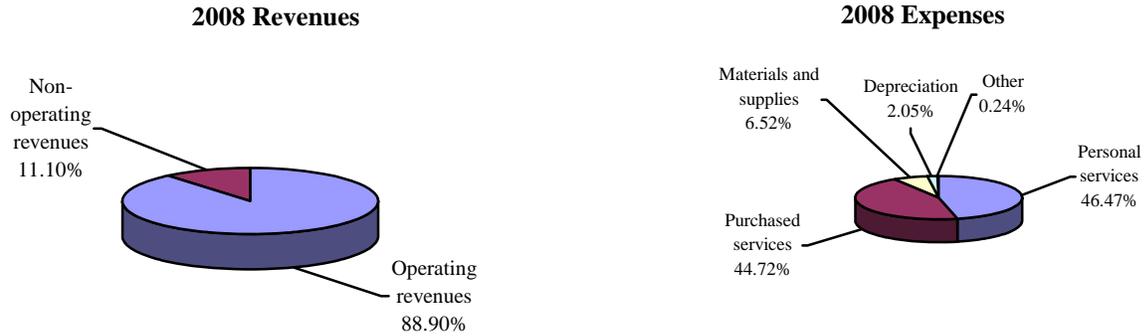
	<u>2009</u>	<u>2008</u>
<b><u>Operating revenues:</u></b>		
State foundation	\$ 10,232,805	\$ 9,716,609
Tuition and fees	40,260	27,513
Charges for services	415	-
Total operating revenue	<u>10,273,480</u>	<u>9,744,122</u>
<b><u>Operating expenses:</u></b>		
Personal services	4,714,442	5,447,828
Purchased services	5,332,696	5,242,997
Materials and supplies	927,649	764,009
Depreciation	192,719	240,026
Other	34,276	28,348
Total operating expenses	<u>11,201,782</u>	<u>11,723,208</u>
<b><u>Non-operating revenues/expenses:</u></b>		
Federal and state grants	1,156,050	1,129,927
Interest income	9,196	85,356
Loss on disposal of capital assets	(5,200)	(400)
Other non-operating revenue	-	1,835
Total non-operating revenues/expenses	<u>1,160,046</u>	<u>1,216,718</u>
Change in net assets	231,744	(762,368)
Net assets at beginning of year	<u>(29,416)</u>	<u>732,952</u>
Net assets (deficit) at end of year	<u>\$ 202,328</u>	<u>\$ (29,416)</u>

The charts below illustrate the revenues and expenses for the VCS during fiscal 2009 and 2008.



**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009



**Current Financial Related Activities**

Enrollment for the VCS has climbed to approximately 1,414 students for fiscal year 2009. This is a 2.82% decrease from last years count. Despite the VCS's highly fluid student population, our strategic plan still maintains a lofty 25% desired yearly growth rate.

Foundation collections are the primary source of funding received by the VCS representing 99.60% of total operating revenues. VCS also received State and Federal restricted grant and aid which comprised 99.21% of non-operating revenue. Most aid came from the Ohio Department of Education in the form of Title I and IDEA-B funds. These monies were used to finance educational opportunities to those students participating in the VCS's programs.

Payroll and fringe benefits totaled \$4,714,442 or 41.21% of total revenues and 42.09% of the expenses. Purchased services expense includes significant expenses incurred from fees charged by eSchool Consultants and computer equipment purchases. The VCS spent 87.83% of its revenues (operating and non-operating) on payroll, fringe benefits, computer equipment and management fees.

**Contacting the VCS's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the VCS's finances and to show the VCS's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Shane Allen, Treasurer, Virtual Community School of Ohio, 4480 Refugee Road, Columbus, Ohio 43232.

BASIC  
FINANCIAL STATEMENTS

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2009

**Assets:**

*Current assets:*

Equity in pooled cash and cash equivalents . . .	\$	1,054,948
Receivables:		
Accounts . . . . .		38,660
Intergovernmental . . . . .		89,743
		1,183,351
Total current assets . . . . .		1,183,351

*Non-current assets:*

Depreciable capital assets, net . . . . .		516,955
		516,955
Total non-current assets . . . . .		516,955
Total assets . . . . .		1,700,306

**Liabilities:**

*Current liabilities:*

Accounts payable . . . . .		379,740
Accrued wages and benefits . . . . .		439,883
Pension obligation payable . . . . .		191,701
Intergovernmental payable . . . . .		12,588
Current portion of payable to ODE . . . . .		332,420
Current portion of compensated absences . . . . .		111,586
		1,467,918
Total current liabilities . . . . .		1,467,918

*Long-term liabilities:*

Compensated absences payable . . . . .		30,060
		30,060
Total long-term liabilities . . . . .		30,060
Total liabilities . . . . .		1,497,978

**Net assets:**

Invested in capital assets . . . . .		516,955
Restricted for:		
State funded programs . . . . .		27
Federally funded programs . . . . .		6,001
Unrestricted (deficit) . . . . .		(320,655)
		202,328
Total net assets . . . . .	\$	202,328

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 10,232,805
Tuition and fees . . . . .	40,260
Charges for services . . . . .	415
Total revenue . . . . .	<u>10,273,480</u>
 <b>Operating expenses:</b>	
Salaries and wages . . . . .	3,592,057
Fringe benefits . . . . .	1,122,385
Purchased services . . . . .	5,332,696
Materials and supplies . . . . .	927,649
Other . . . . .	34,276
Depreciation . . . . .	192,719
Total expenses . . . . .	<u>11,201,782</u>
 Operating loss . . . . .	 <u>(928,302)</u>
 <b>Non-operating revenues/(expenses):</b>	
Federal and state grants . . . . .	1,156,050
Interest income . . . . .	9,196
Loss on disposal of capital assets . . . . .	(5,200)
Total non-operating revenues/(expenses) . . . . .	<u>1,160,046</u>
 Change in net assets . . . . .	 231,744
 <b>Net assets (deficit) at beginning of year . . . . .</b>	 <u>(29,416)</u>
<b>Net assets at end of year . . . . .</b>	<b><u><u>\$ 202,328</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
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**FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Cash flows from operating activities:</b>	
Cash received from foundation . . . . .	\$ 10,257,290
Cash received from tuition and fees . . . . .	28,913
Cash received from sales/charges for services . . . . .	415
Cash payments for salaries and wages . . . . .	(3,912,448)
Cash payments for fringe benefits . . . . .	(1,135,704)
Cash payments for purchased services. . . . .	(5,397,705)
Cash payments for materials and supplies . . . . .	(882,539)
Cash payments for other expenses. . . . .	<u>(34,350)</u>
Net cash used in operating activities . . . . .	<u>(1,076,128)</u>
<b>Cash flows from noncapital financing activities:</b>	
Federal and state grants . . . . .	<u>1,271,619</u>
Net cash provided by noncapital financing activities . . . . .	<u>1,271,619</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	(201,414)
Principal retirement - ODE payable . . . . .	<u>(569,864)</u>
Net cash used in capital and related financing activities . . . . .	<u>(771,278)</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>9,196</u>
Net cash provided by investing activities. . . . .	<u>9,196</u>
Net decrease in cash and cash equivalents. . . . .	(566,591)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>1,621,539</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u><u>\$ 1,054,948</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (928,302)
Adjustments:	
Depreciation . . . . .	192,719
Changes in assets and liabilities:	
(Increase) in accounts receivable . . . . .	(12,240)
Decrease in intergovernmental receivable . . . . .	24,485
(Decrease) in accounts payable . . . . .	(10,828)
(Decrease) in accrued wages and benefits. . . . .	(367,259)
Increase in compensated absences payable . . . . .	59,028
(Decrease) in intergovernmental payable . . . . .	(27,698)
(Decrease) in pension obligation payable. . . . .	<u>(6,033)</u>
Net cash used in operating activities . . . . .	<u><u>\$ (1,076,128)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
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**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The Virtual Community School of Ohio, Franklin County, Ohio (the "VCS") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the VCS's tax exempt status. The VCS's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The VCS, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The VCS may acquire facilities as needed and contract for any services necessary for the operation of the school. The VCS is considered a component unit of the Reynoldsburg City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units".

The VCS was approved for operation under a contract with the Reynoldsburg City School District (the "Sponsor") for a period of five academic years commencing after July 1, 2006. The Sponsor is responsible for evaluating the performance of the VCS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The VCS is designed to operate under the direction of a self-appointed five-member Board of Directors (the "Board"), however, during fiscal year 2009, beginning in November 2008, the Board consisted of four members. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the VCS's one instructional/support facility staffed by 23 non-certified staff members and 78 certificated full time teaching personnel who provide services to 1,414 students.

The VCS contracts with eSchool Consultants, LLC for a variety of consulting services including personnel and human resources, the program of instruction, purchasing strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the VCS have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The VCS also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The VCS has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The VCS has elected not to apply these FASB Interpretations. The VCS's significant accounting policies are described below.

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**A. Basis of Presentation**

The VCS uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

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

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public school districts located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code (ORC) Chapter 5705, except House Bill 364, which took effect April 8, 2003, added ORC Section 3314.03 (11)(d), which states that community schools must comply with ORC Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

**D. Cash**

All monies received by the VCS are deposited in a demand deposit account.

**E. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The VCS has maintained a capitalization threshold of \$700. The VCS does not have any infrastructure. 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, but are expended when incurred.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Computer equipment is depreciated over three years and copiers and furniture are depreciated over five years.

**F. Net Assets**

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

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
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**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Intergovernmental Revenue**

The VCS currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under The State Foundation Program for fiscal year 2009 totaled \$10,232,805.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 VCS must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the VCS on a reimbursement basis. Federal and State grant revenue for the fiscal year 2009 was \$1,156,050.

**H. Estimates**

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

**I. Compensated Absences Policy**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the VCS will compensate the employees for the benefits through paid time off. The VCS records a liability for accumulated unused vacation time when earned by employees.

Personal leave benefits are not a liability as it is the policy of the VCS to convert all unused personal leave at fiscal year end to sick leave. Personal leave benefits are not carried over from one year to the next. Sick leave benefits are prescribed by ORC Section 3319.141. Employees accumulate leave at a rate of 1 ¼ days per month to a maximum of 240 days.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the VCS. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the VCS. All revenues and expenses not meeting this definition are reported as non-operating.

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2009, the VCS has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the VCS.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the VCS.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the VCS.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the VCS.

**NOTE 4 - DEPOSITS**

At June 30, 2009, the carrying amount of the VCS's deposits was \$1,054,948. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$940,413 of the VCS's bank balance of \$1,190,413 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the VCS's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the VCS. The VCS has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the VCS to a successful claim by the FDIC.

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/09</u>
Equipment	\$ 2,553,108	\$ 201,414	\$ (45,785)	\$ 2,708,737
Less: accumulated depreciation	<u>(2,039,648)</u>	<u>(192,719)</u>	<u>40,585</u>	<u>(2,191,782)</u>
Capital assets, net	<u>\$ 513,460</u>	<u>\$ 8,695</u>	<u>\$ (5,200)</u>	<u>\$ 516,955</u>

**NOTE 6 - RECEIVABLES**

At June 30, 2009, receivables consisted of tuition and intergovernmental revenues which are considered collectible within one year and presented on the statement of net assets in the amount of \$128,403.

**NOTE 7 - PURCHASED SERVICES**

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Professional technical services	\$ 3,941,653
Property services	415,066
Travel and meetings	76,963
Utilities	127,116
Transportation	3,967
Communication services	171
Postage, advertising and shipping	448,177
Other services	<u>319,583</u>
Total	<u>\$ 5,332,696</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

A. Changes in the VCS's long-term obligations during fiscal year 2009 were as follows:

	<u>Balance at</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>06/30/09</u>	<u>Due Within</u> <u>One Year</u>
Payable to ODE	\$ 902,284	\$ -	\$ (569,864)	\$ 332,420	\$ 332,420
Compensated absences	<u>82,618</u>	<u>125,418</u>	<u>(66,390)</u>	<u>141,646</u>	<u>111,586</u>
Total governmental activities long-term liabilities	<u>\$ 984,902</u>	<u>\$ 125,418</u>	<u>\$ (636,254)</u>	<u>\$ 474,066</u>	<u>\$ 444,006</u>

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

*Payable to ODE:* the VCS has recorded a liability for fiscal year 2004 foundation overpayments due to the Ohio Department of Education (ODE). The interest rate is 0% and the repayment began in January 2005 via reductions made by ODE to the VCS's foundation payments. Due to an oversight at ODE, while transitioning to a new method of tracking repayments, no reductions were made during fiscal year 2007. ODE extended the repayment period to compensate for the oversight. Future foundation payments will be reduced to repay the liability. See Note 17.B. for details regarding the overpayment.

*Compensated absences:* Compensated absences will be paid from the fund from which the employee's salaries are paid.

**B.** Schedule of payments for the amount payable to ODE is as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2010	\$ 332,420
Total payments	<u>\$ 332,420</u>

**NOTE 9 - OPERATING LEASE-OFFICE SPACE**

The VCS entered into two lease contracts with eSchool Consultants, LLC, which commenced on July 1, 2008. These agreements are for office space at 4480 Refugee Road, Columbus, Ohio. This office space is made up of 4,513 square feet on the north side of the building and 7,352 square feet on the south side of the building. Lease payments for the north side space are \$1,543 per month from October 2008 through June 2009. Lease payments for the south side space are \$1,000 per month from July 2008 through June 2009.

Lease payments for these offices totaled \$42,960, during fiscal year 2009. Over the term of the leases there are scheduled rent increases but no scheduled rent holidays, and the leases are renewable by either party at expiration. The future minimum lease payments are noted in the following table.

Fiscal Year Ending <u>June 30,</u>	Suites	
	<u>North,</u>	<u>South</u>
2010	\$	130,502
2011		137,448
2012		142,380
2013		<u>148,312</u>
Total	<u>\$</u>	<u>558,642</u>

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
(A Component Unit of Reynoldsburg City School District)  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 10 - SPONSORSHIP AGREEMENT WITH REYNOLDSBURG CITY SCHOOL DISTRICT**

The VCS has entered into a sponsorship agreement with Reynoldsburg City School District, its Sponsor, whereby, the Sponsor shall receive compensation for services provided to VCS. As part of this agreement, the VCS shall compensate the Sponsor two percent (2%) of the per-pupil allocation (foundation) paid to the VCS by the State of Ohio. For this fee, the Sponsor shall provide the VCS Treasurer with fiscal oversight and administrative support related to the following:

- A. Support to ensure that the financial records of the VCS are maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State.
- B. Compliance with the policies and procedures regarding internal financial control of the VCS.
- C. Compliance with the requirements and procedures for financial audits by the Auditor of State.

During fiscal year 2009, the VCS paid the Sponsor of \$205,109 under this agreement.

**NOTE 11 - CONSULTING CONTRACT**

The VCS entered into a consulting contract with eSchool Consultants, LLC, an Ohio Corporation on March 28, 2002 for fifty-one months. This contract was renewed on June 22, 2005 and runs from July 1, 2005 to June 30, 2011. Contract provisions requires eSchool Consultants to design, develop, implement curriculum and instruction programs, recruitment programs, marketing and public relations programs, exemplary interactive computer requirements, staff requirement program, comprehensive grant-seeking programs, a continuous improvement plan and to facilitate the computer/technology lease/purchase agreements. Under the agreement, eSchool consultants shall bill the VCS for services rendered. As services are incurred the VCS is billed. All billings are due within 30 days.

For the fiscal year 2009, eSchool Consultants billed the VCS \$4,656,549, for support and services rendered under the contractual agreement of which \$345,069 is payable at June 30, 2009. This amount is included in the accompanying financial statements as a current liability.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The VCS 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the VCS is required to contribute at an actuarially determined rate. The current VCS rate is 14 percent of annual covered payroll. A portion of the VCS's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The VCS's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$134,442, \$128,527 and \$123,652, respectively; 53.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

Plan Description - The VCS participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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. Members in the DC Plan who become 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.

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The VCS 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 VCS's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$423,255, \$457,709 and \$434,347, respectively; 83.07 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$8,504 made by the VCS and \$15,691 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The VCS's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The VCS participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

The VCS's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$83,215, \$80,823 and \$64,597, respectively; 53.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The VCS's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$11,093, \$9,261 and \$8,408, respectively; 53.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

Plan Description - The VCS contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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.strsoh.org](http://www.strsoh.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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The VCS's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$32,558, \$35,208 and \$33,411, respectively; 83.07 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Medical, Life, Dental and Vision Insurance Benefits**

The VCS provides medical benefits through United HealthCare. Dental and life benefits are through MetLife and vision through Vision Service Plan (VSP). The VCS offers individual and family health plans. The Board pays 100% of the premium amounts on individual and picks-up 90% of the premium difference between individual and group policies.

Employees who qualify for individual group benefits are offered an option of compensation of \$125 per month and those who qualify for family group benefits are offered an option of compensation of \$225 per month if they choose to decline the group medical coverage offered.

**VIRTUAL COMMUNITY SCHOOL OF OHIO**  
**(A Component Unit of Reynoldsburg City School District)**  
**FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 14 - OTHER EMPLOYEE BENEFITS - (Continued)**

**B. Compensated Absences**

Employees accumulate sick leave at a rate of 1.25 days per month. Unused sick leave may accumulate up to 240 days. Accumulated sick leave earned from other governments can be carried over by certifying the unused sick leave balance to the Treasurer. New employees are credited five sick days in advance which is part of the 15 days that can be accumulated for the year.

Vacation is earned by twelve month employees at the rate indicated in their respective employment contracts.

Employees are allowed three personal days per school year. Unused personal leave within a given year is converted to sick leave.

**NOTE 15 - RISK MANAGEMENT**

**A. Property and Liability**

The VCS 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. The VCS maintains insurance coverage for rental/theft, general liability, contents liability. The general liability coverage is in the amount of \$2,000,000 aggregate.

The VCS has coverage for employee dishonesty, forgery and alternation coverage and computer equipment in the amount of \$10,000 for each, per occurrence.

Settled claims have not exceeded these commercial coverages in any of the past 3 years. There has been no significant reduction in amounts of insurance coverage from fiscal 2008.

The VCS does not own real estate, but leases facilities located at 4480 Refugee Road, Columbus, Ohio 43232.

The VCS also entered into two new lease agreements after June 30, 2009. See Note 18 for details.

**B. Worker's Compensation**

The VCS pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross total payroll by a factor that is calculated by the State of Ohio.

**NOTE 16 - RELATED PARTY TRANSACTIONS**

**A. Sponsor**

As part of the VCS's contractual agreement with the Sponsor, the VCS is required to pay the Sponsor two percent (2%) of the per pupil allocation paid to the VCS from the State of Ohio for various fiscal services and support. In fiscal year 2009, the VCS paid the Sponsor \$205,109 during the year. See Note 10.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
(A Component Unit of Reynoldsburg City School District)  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 16 - RELATED PARTY TRANSACTIONS**

**B. Superintendent**

Mr. James McCord was appointed Superintendent of the VCS during fiscal year 2007. Mr. McCord was previously a Board Member of the VCS. Mr. McCord's wife, Judy McCord, had a contract salary of \$8,500 to provide consultant services and supervision of the EMIS database. \$8,500 was paid to Judy McCord during fiscal year 2009.

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The VCS received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the VCS at June 30, 2009.

**B. State Foundation Funding**

The Ohio Department of Education (ODE) 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 ODE estimates a total overpayment during fiscal year 2004 was \$2,209,591, which will be repaid by the VCS by reducing the foundation payments they will receive in future periods. The amount remaining unpaid at June 30, 2009 was \$332,420. This amount is recorded as a current liability on the statement of net assets. The entire amount is due in fiscal year 2010. VCS does not anticipate any significant adjustments to State funding for fiscal year 2009, as a result of the reviews which have yet to be completed.

**C. Litigation**

The VCS is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal grantor/Pass through grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Grant Year</u>	<u>Receipts</u>	<u>Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Pass-through Ohio Department of Education:</i>				
Title I Grants to Local Education Agencies	84.010	2008	51,484	60,157
Title I Grants to Local Education Agencies	84.010	2009	645,683	604,211
Special Education-Grants to States	84.027	2008	43,329	46,948
Special Education-Grants to States	84.027	2009	346,176	326,802
Safe and Drug Free Schools and Communities	84.186	2008	(905)	-
Safe and Drug Free Schools and Communities	84.186	2009	7,288	6,990
Twenty-First Century Community Learning Center	84.287	2008	-	1,980
Twenty-First Century Community Learning Center	84.287	2009	114,537	117,861
Innovative Education Program Strategies	84.298	2008	(110)	-
Innovative Education Program Strategies	84.298	2009	2,436	2,436
Title II-D Technology Fund	84.318	2009	7,327	7,337
Title II-A - Improving Teacher Quality	84.367	2008	21,256	22,156
Title II-A - Improving Teacher Quality	84.367	2009	31,420	31,199
Total U.S. Department of Education			<u>1,269,921</u>	<u>1,228,077</u>
<b>Totals</b>			<u><u>\$ 1,269,921</u></u>	<u><u>\$ 1,228,077</u></u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**JUNE 30, 2009**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require the School contribute non-Federal funds (matching funds) to support Federally-funded programs. The School has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C – TRANSFERS**

The School generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE's approval, a School can transfer unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2009, the Ohio Department of Education (ODE) authorized the following transfers:

<u>Program title</u>	<u>Federal CFDA Number</u>	<u>Gant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Title I Grants to Local Education Agencies	84.010	2008	\$ 18,267	
Title I Grants to Local Education Agencies	84.010	2009		\$ 18,267
Special Education – Grants to States	84.027	2008	22,309	
Special Education – Grants to States	84.027	2009		22,309
Safe and Drug-Free Schools	84.186	2008	13,888	
Safe and Drug-Free Schools	84.186	2009		13,888
Innovative Education Program Strategies	84.298	2008	1,395	
Innovative Education Program Strategies	84.298	2009		1,395
Title II-D Technology Fund	84.318	2008	6,367	
Title II-D Technology Fund	84.318	2009		6,367
Title II-A - Improving Teacher Quality	84.367	2008	49	
Title II-A - Improving Teacher Quality	84.367	2009		49
<b>Totals</b>			<u>\$ 62,275</u>	<u>\$ 62,275</u>

**INDEPENDENT ACCOUNTANTS' 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**

Members of the Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

To the Board of Directors:

We have audited the basic financial statements of the Virtual Community School of Ohio, Franklin County, Ohio (the School), a component unit of Reynoldsburg City School District, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2009-001 and 2009-002.

Independent Accountants' 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*  
Page 2

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

This report is intended solely for the information and use of management, the Board of Directors, the School Sponsor, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
December 11, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

To the Board of Directors:

**Compliance**

We have audited the compliance of the Virtual Community School of Ohio, Franklin County, Ohio (the School), a component unit of the Reynoldsburg City School District, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

As described in item 2009-003 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding activities allowed and allowable costs/cost principles applicable to its Title I program. Compliance with this requirement is necessary, in our opinion, for the School to comply with requirements applicable to the program. In addition, and as described in item 2009-004 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding eligibility applicable to its Title I program. Compliance with this requirement is also necessary, in our opinion, for the School to comply with requirements applicable to the program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

**Internal Control over Compliance**

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the School's internal control that might be significant deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2009-003 and 2009-004 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs we consider 2009-003 to be a material weakness.

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

This report is intended solely for the information and use of management, the Board of Directors, the School Sponsor, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards LLC  
December 11, 2009

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other 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 other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies- CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2009  
(Continued)**

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

**FINDING NUMBER 2009-001**

**Ohio Revised Code § 3314.02 (E)** states in part a Community School should be under the direction of a governing authority which shall consist of a board of not less than five individuals. Further, the board members cannot be owners or employees of the Community School.

During our audit period from November 1, 2008 through the date of this report, the School operated with a board consisting of four members.

We recommend the governing body for the School is organized in accordance with Ohio Revised Code.

**Officials' Response**

VCS has been coordinating with our sponsor to identify potential candidates for appointment to the vacant seat on the board, and will work to complete this process as quickly as possible.

**FINDING NUMBER 2009-002**

**Ohio Revised Code § 3314.24 (A)** states in part that Internet- or computer-based community school cannot contract with a nonpublic school for instructional facility space.

**Ohio Revised Code § 3314.02(A)(7)** defines Internet- or computer-based community schools as those in which the enrolled students work primarily from their residences on assignments in nonclassroom-based learning opportunities provided via an internet- or other computer-based instructional method that does not rely on regular classroom instruction or via comprehensive instructional methods including internet-based, other computer-based, and noncomputer-based learning opportunities.

During fiscal year 2009 the School contracted with two nonpublic schools for various services, including instructional space used for tutoring and meetings between the teachers and the students. The table below provides the name of the entity, total paid to the entity and a summary of the services provided by the non-public entity to the School.

<b>Non-Public Entity</b>	<b>Amount Paid During Fiscal Year 2009</b>	<b>Summary of Services</b>
Holy Trinity Lutheran Church 592 West Main Street, Newark, Ohio 43055	\$55,191	Contract requires payment of \$3,000 per month for use of facility. Contract also refers to the non-public entity as an "exceptional needs provider".
Mended Reeds P.O. Box 108 Ironton, Ohio 45638	\$27,000	Contract requires payment of \$3,000 per month for use of the facility. Contract also refers to the non-public entity as an "exceptional needs provider".

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2009  
(Continued)**

**FINDING NUMBER 2009-002 (Continued)**

We recommend the School consider implementing additional oversight procedures related to procurement to ensure contracts that have been or will be entered into in the future are permissible.

**Officials' Response**

VCS has requested a legal opinion from the school's attorney regarding this finding, to best determine what corrective action the school would like to take.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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**Title I – Activities Allowed and Allowable Costs/Cost Principles**

<b>Finding Number</b>	2009-003
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies – CFDA # 84.010
<b>Federal Award Number/Year</b>	2009
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Questioned Cost/Material Weakness**

**2 C.F.R. Part 225 Appendix B Section 8.a.** (formerly known as OMB Circular A-87, Attachment B Section 8.a.) states in part that the costs of compensation for personnel services are allowable to the extent that the total compensation for individual employees:

1. Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied for both Federal and non-Federal activities
2. Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal Law; and
3. Is determined and supported as provided in subsection h.

**2 C.F.R. Part 225, Appendix B Sections 8.h.(3) & 8.h.(4), (5), and (6)** states that:

- Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2009  
(Continued)**

**Title I – Activities Allowed and Allowable Costs/Cost Principles (Continued)**

<b>Finding Number</b>	2009-003
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies – CFDA # 84.010
<b>Federal Award Number/Year</b>	2009
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Questioned Cost/Material Weakness(Continued)**

The total payroll charged to the Title I grant during fiscal year 2009 was \$383,493.66, which was inclusive of \$19,761.96 incentive compensation paid to three teachers.

- 2 of the 14 employees that charged Title I worked solely on this program, total payroll of \$50,355.76, while the remainder of the employees worked on multiple activities and their salaries were allocated to various funds. The two employees did not prepare the semi-annual certifications as required.
- The twelve employees that worked on multiple activities did not complete personnel activity reports or equivalent documentation.

Accordingly, a questioned cost is issued in the amount of \$383,493.66 for the total cost of the payroll charged to the Title I grant.

We recommend the School implement procedures such as the certifications or time studies, as defined above, to ensure that documentation supporting charges to the Title I program is maintained to demonstrate expenditures are allowable and properly supported.

**Officials' Response and Corrective Action Plan**

All single fund employees will be required to prepare the semi-annual certifications as recommended. All employees who receive supplemental contracts to provide tutoring services will utilize timesheets to provide support for those compensation charges to the Title I program. Those employees who are funded from multiple sources will be required to provide personnel activity reports or other equivalent documentation that adequately meets audit standards.

Anticipated Completion Date: January 31, 2010  
Responsible Contact Person: Rick Teeters

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2009  
(Continued)**

**Title I – Student Eligibility**

<b>Finding Number</b>	2009-004
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies – CFDA # 84.010
<b>Federal Award Number/Year</b>	2009
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Significant Deficiency**

**Title I, Section 1115 of the Elementary and Secondary Education Act (ESEA) (20 U.S.C. Section 6315)** provides that Title I, Part A, funds are to be used to provide services and benefits to eligible children residing or enrolled in eligible school attendance areas. Once funds are allocated to eligible school attendance areas, a school operating a targeted assistance program must use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State’s challenging student academic achievement standards. In general, eligible children are identified on the basis of multiple, educationally related, objective criteria established by the LEA and supplemented by the school.

LEAs are permitted to allocate Title I, Part A funds to eligible school attendance areas based on the number of children from low-income families residing within the attendance area. A school at or above 40 percent poverty may use its Part A funds, along with other Federal, State, and local funds, to operate a school-wide program to upgrade the instructional program in the whole school **(20 U.S.C. 6314(a))**.

When determining eligibility, an LEA must select a poverty measure from among the following data sources: (1) the number of children ages 5-17 in poverty counted in the most recent census; (2) the number of children eligible for free and reduced price lunches; (3) the number of children in families receiving TANF; (4) the number of children eligible to receive Medicaid assistance; or (5) a composite of these data sources. The LEA must use that measure consistently across the district to rank all its school attendance areas according to their percentage of poverty.

The School operates a school-wide program and utilizes a “household survey” to compile information on the number of disadvantaged children enrolled. The survey includes information such as family size, income level and identification of assistance program participation.

For fiscal year 2009 the School reported 69 percent of its students as disadvantaged which is well above the 40 percent requirement to operate a school-wide program.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2009  
(Continued)**

**Title I – Student Eligibility (Continued)**

<b>Finding Number</b>	2009-004
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies – CFDA # 84.010
<b>Federal Award Number/Year</b>	2009
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Significant Deficiency (Continued)**

We determined that 4 of the 60 students included in our sample were inappropriately classified as disadvantaged.

We recommend management implement control procedures to ensure eligibility determinations are completed, adequately supported, and properly reviewed by management.

**Officials' Response and Corrective Action Plan**

VCS is coordinating with eSchool Consultant's Chief Instructional Officer to implement control procedures to ensure the accuracy of eligibility determinations.

Anticipated Completion Date: January 31, 2009  
Responsible Contact Person: Kelly Claibourne

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Members of the Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

To the Board of Directors:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 17, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;
  - (7) A procedure for responding to and investigating any reported incident;
  - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Kennedy Cottrell Richards LLC

December 11, 2009



**Mary Taylor, CPA**  
Auditor of State

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 4, 2010**