



Dave Yost • Auditor of State

**GREATER OHIO VIRTUAL SCHOOL
WARREN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Greater Ohio Virtual School
Warren County
320 E. Silver Street
Lebanon, Ohio 45036

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the Greater Ohio Virtual School, Warren County, Ohio (the School), as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business-type activities of the Warren County Virtual Community School, Warren County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and its cash flows for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2011, 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*. You should read it in conjunction with this report 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.

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

Dave Yost
Auditor of State

November 2, 2011

GREATER OHIO VIRTUAL SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of the Greater Ohio Virtual School's (the School) financial performance provides an overview and analysis of the School's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

Financial Highlights

Key highlights for 2011 are as follows:

- As described in Note 3 of the Basic Financial Statements, the School is presenting its 2011 financial statements on a cash-basis. Capital Assets are not presented on the balance sheet. At June 30, 2007, the School held \$158,107 in capital assets, net of depreciation. The School still holds these capital assets; however, they are no longer presented in the financial statements.
- In total, net assets increased by \$778,885 which represents a 30 percent increase from 2010. This increase is primarily due to an increase in Foundation payments received from the state.

Using this Annual Report

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 School as a financial whole, an entire operating entity.

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of two components: the financial statements and notes to those financial statements.

The School has elected to present its financial statements on a cash basis of accounting. The basis of accounting is a set of guidelines that determine when financial events are recorded. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of revenues, expenses, and changes in fund net assets reflect how the School did financially during the fiscal year ended June 30, 2011. These statements include all assets using the cash basis of accounting.

These statements report the School's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

The School uses enterprise presentation for all of its activities.

GREATER OHIO VIRTUAL SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Financial Analysis

Table 1 provides a summary of the School's net assets for fiscal year 2011 compared to fiscal year 2010:

Table 1
Net Assets at Year End

	2011	2010
<u>Assets:</u>		
Current and Other Assets	\$3,337,564	\$2,558,679
<i>Total Assets</i>	3,337,564	2,558,679
<u>Net Assets:</u>		
Restricted	129,365	54,453
Unrestricted	3,208,199	2,504,226
<i>Total Net Assets</i>	\$3,337,564	\$2,558,679

Current and other assets increased \$778,885 from fiscal year 2010 due to an increase in cash and cash equivalents held by the School.

The School's largest portion of net assets is unrestricted net assets. These net assets represent resources that may be used to meet the School's ongoing obligations to its students and creditors.

GREATER OHIO VIRTUAL SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 the changes in net assets for fiscal year 2011 compared to fiscal year 2010:

Table 2
Changes in Net Assets

	2011	2010
<u>Revenues:</u>		
<i>Operating Revenue:</i>		
Foundation Payments	\$1,893,313	\$1,646,330
Tuition and Fees	2,927	4,029
<i>Nonoperating Revenue:</i>		
Grants	459,317	95,142
Interest Income	16,499	17,393
Other	494	303
<i>Total Revenues</i>	2,375,550	1,763,197
<u>Operating Expenses:</u>		
Salaries	853,427	646,902
Fringe Benefits	204,664	158,771
Purchased Services	178,066	78,815
Materials and Supplies	88,199	83,248
Capital Outlay	218,700	12,825
Other	50,609	91,565
<i>Total Expenses</i>	1,593,665	1,072,126
<i>Change in Net Assets</i>	778,885	691,071
Net Assets – Beginning of Year	2,558,679	1,867,608
Net Assets – End of Year	\$3,337,564	\$2,558,679

The 15 percent increase in Foundation payments and 30 percent increase in Salaries are due to an increase in student population due to an increased effort to market the school.

The most significant program expenses for the School are Salaries, Fringe Benefits, Purchased Services, and Materials and Supplies. These programs account for 83.10 percent of the total business-type activities expenses. Salaries, which represent 53.55 percent of the total, represent salaries for employees of the School. Fringe Benefits, which represent 12.84 percent of the total, represent benefits for employees of the School. Purchased Services, which represents 11.17 percent of the total, represent costs associated with professional and contractual services used by the School. Materials and Supplies, which represent 5.53 percent of the total, represent costs for educational materials and supplies used by the School.

GREATER OHIO VIRTUAL SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The majority of the funding for the School is from foundation payments. Foundation receipts accounts for 79.7 percent of total revenues.

Budget Highlights

The Greater Ohio Virtual School is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, except for Ohio Revised Code Section 5705.391 which requires the School to adopt a five year spending plan.

Capital Assets and Debt Administration

Capital Assets

The School tracks its capital assets on the State EIS system.

Debt Administration

At June 30, 2011, the School had no general obligation debt outstanding.

Current Issues

Management believes that the School is financially stable. As indicated in the preceding financial information, the School is dependent on intergovernmental revenue. Intergovernmental revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning will permit the School to provide a quality education for the students of Warren County.

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004 which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the School is not presently determinable.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it received. If you have any questions about this report or need additional information, contact Shaun Bevan, Treasurer of the Greater Ohio Virtual School, 320 East Silver Street, Lebanon, Ohio 45036.

GREATER OHIO VIRTUAL SCHOOL

Statement of Net Assets

June 30, 2011

	<u>2011</u>
<u>Assets:</u>	
<i>Current:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,337,564</u>
<i>Total Assets</i>	<u>3,337,564</u>
<u>Net Assets:</u>	
<i>Restricted for:</i>	
Other Purposes	129,365
Unrestricted	<u>3,208,199</u>
<i>Total Net Assets</i>	<u><u>\$3,337,564</u></u>

See accompanying notes to the basic financial statements and accountant's report.

GREATER OHIO VIRTUAL SCHOOL
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2011

	2011
<u>Operating Revenues:</u>	
Foundation Payments	\$1,893,313
Other	2,927
	1,896,240
<u>Operating Expenses:</u>	
Salaries	853,427
Fringe Benefits	204,664
Purchased Services	178,066
Materials and Supplies	88,199
Capital Outlay	218,700
Other	50,609
	1,593,665
<i>Operating Income</i>	302,575
<u>Other Nonoperating Revenues:</u>	
Federal and State Subsidies	459,317
Interest Income	16,499
	475,816
Proceeds from Sale of Fixed Assets	494
	778,885
<i>Net Change in Net Assets</i>	778,885
<i>Fund Balances at Beginning of Year</i>	2,558,679
<i>Fund Balances at End of Year</i>	\$3,337,564

See accompanying notes to the basic financial statements and accountant's report.

GREATER OHIO VIRTUAL SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Description of the School

The Greater Ohio Virtual School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is a conversion school, which is considered an extension of the traditional public school. The School qualifies as an "integral part of the public school district," and is dominated by officials of such school district (i.e. the School must have public officials acting in their capacity as a public official). Hence, the School is exempt from federal income tax filing. The School is a comprehensive educational program for students in grades 9 - 12 who reside within the State of Ohio. The School is established under Ohio Charter School Law and provides a virtual educational program at no cost to the student. The School is operated under the direction of superintendent, John Lazares and is sponsored by the Warren County Educational Service Center. The Warren County Educational Service Center furnishes leadership, consulting services, and fiscal agency services that are designed to strengthen the School in areas they are unable to staff independently. The School is staffed by one administrative, four classified, and 15 certified part-time employees of the Warren County Educational Service Center that are provided to the School through a contractual agreement.

The governing authority is the Greater Ohio Virtual School Board of Directors, which has, as voting members, those persons serving in the following four positions, except that the Warren County Educational Service Center (the Sponsor) may from time to time, at its discretion, substitute other administrative positions for those indicated below:

Superintendent or Interim
Assistant Superintendent
Program Director/Education
Sponsor's Representative

In addition to the above-described voting members, the Board of Directors shall also include the sponsor's designated Treasurer as non-voting ex official member of the Board of Directors. The Treasurer shall serve the Board of Directors in his/her capacity as a representative of the Sponsor and Sponsor's interest.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School consists of all funds, departments, boards, and agencies that are not legally separate from the School. For Greater Ohio Virtual School, this is the general operations.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget, the issuance of debt, or the levying of taxes. The School has no component units.

GREATER OHIO VIRTUAL SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School is associated with the Southwest Ohio Computer Association (SWOCA), a jointly governed organization. Information about SWOCA is presented in Note 9 to the basic financial statements.

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the basic financial statements for the enterprise funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 20, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School's accounting policies:

A. Basis of Presentation

The School's basic financial statements consist of a statement of net assets and a statement of revenues, expenses, and changes in net assets.

The School uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus

The School uses a cash basis of accounting for reporting purposes. Revenues are recognized when they are received, and expenses are recognized when they are paid.

C. Basis of Accounting

The School's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred.

As a result of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed for provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School utilized the basis of accounting recognized as generally accepted, the fund and all government-wide financials would be presented on the accrual basis of accounting

D. Cash and Cash Equivalents

To improve cash management, cash received by the School is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

GREATER OHIO VIRTUAL SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

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

Following Ohio statutes, the Board of Directors has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2011 amounted to \$16,499.

E. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

F. Net Assets

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

The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the community school's contract with its sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

H. Operating Revenues and Expenses

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

NOTE 3 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

GREATER OHIO VIRTUAL SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

Public depositories must give security for all public funds on deposit. Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio.
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

GREATER OHIO VIRTUAL SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited.

The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities. 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 School.

At June 30, 2011, the carrying amount of all School deposits was \$3,337,564. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2011, \$3,087,564 of the School's bank balance of \$3,337,564 was exposed to custodial risk as discussed above, while \$250,000 was covered by Federal Deposit Insurance. The \$3,087,564 exposed to custodial risk was collateralized with securities held by the pledging financial institution's trust departments or its agency in the School's name.

Investments: As of June 30, 2011, the School held no investments.

GREATER OHIO VIRTUAL SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTES 5 - RISK MANAGEMENT

The School 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 2011, the School contracted with Governmental Underwriters of America for property insurance. Coverages provided are as follows:

Building and Contents (\$1,000 deductible)	\$1,252,170
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists Liability (\$1,000 deductible)	1,000,000
<i>General Liability:</i> Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Fire Damage Limit - Any One Event	500,000
<i>Excess Liability – Umbrella Form</i> Each Occurrence	\$5,000,000
Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past two years. There has been no significant change in coverage from last year.

NOTE 6 - PENSION PLANS

School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$21,892, \$25,546, and \$25,859, respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

GREATER OHIO VIRTUAL SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 6 - PENSION PLANS - (Continued)

State Teachers Retirement System

Plan Description - The School 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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.

Funding Policy - For the fiscal year ended June 30, 2010 (most recent available), plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. 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 School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$89,619, \$56,225, and \$60,089, respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

GREATER OHIO VIRTUAL SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 7 - POSTEMPLOYMENT BENEFITS

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 401h. For 2011, 1.43 percent of covered payroll was allocated to health care.

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.

NOTE 8 - STATE SCHOOL FUNDING DECISION

A lawsuit entitled *Beverly Blount-Hill, et al. V. State of Ohio, et al.*, Case #: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the Greater Ohio Virtual School cannot presently be determined.

NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association

The School is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and community schools within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The School paid SWOCA \$7,481 services provided during the year. Financial information can be obtained from the fiscal agent, Butler Tech, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

GREATER OHIO VIRTUAL SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 10 - CONTINGENCIES

The School 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 of conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2011.

NOTE 11 - MATERIAL NONCOMPLIANCE

Contrary to Ohio Administrative Code § 117-2-03 (B), the School does not prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). See Schedule of Findings 2011-01.

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Dave Yost • Auditor of State

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

Greater Ohio Virtual School
Warren County
320 E. Silver Street
Lebanon, Ohio 45036

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Greater Ohio Virtual School, Warren County, Ohio (the School), as of and for the year ended June 30, 2011, which comprise the School's basic financial statements and have issued our report thereon dated November 2, 2011, wherein we noted the School uses a comprehensive accounting basis other than generally accepted accounting principles. 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 School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

Greater Ohio Virtual School
Warren County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the audit committee, Board, the School's sponsor, and others within the School. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

November 2, 2011

GREATER OHIO VIRTUAL SCHOOL
WARREN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

FINDING NUMBER 2011-01

Noncompliance

Ohio Revised Code, § 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code, § 117-2-03 (B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The School prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38, the School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Additionally, public offices must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The School should prepare their annual financial reports in accordance with generally accepted accounting principles. Additionally, the School should publish notice of the availability of the annual financial report.

Officials did not respond to the finding reported above.

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GREATER OHIO VIRTUAL SCHOOL
WARREN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC section 117.38, not preparing statements according to GAAP	No	2011-001

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GREATER OHIO VIRTUAL SCHOOL

WARREN 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
NOVEMBER 22, 2011**