

GREATER OHIO VIRTUAL SCHOOL



Basic Financial Statements

June 30, 2014



Dave Yost • Auditor of State

Board of Directors
Greater Ohio Virtual School
1879 Deerfield Road
Lebanon, Ohio 45036

We have reviewed the *Independent Auditor's Report* of the Greater Ohio Virtual School, Warren County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Greater Ohio Virtual School is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 16, 2015

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INDEPENDENT AUDITOR'S REPORT

Greater Ohio Virtual School
Warren County
1879 Deerfield Road
Lebanon, Ohio 45036

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Ohio Virtual School (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statements amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent to opine on the effectiveness of the Government's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of significant accounting estimates, as well as our evaluation the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash financial position of the Greater Ohio Virtual School, as of June 30, 2014, and the respective changes in the modified cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code Section 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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net modified cash position and changes in net modified cash position. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 30, 2014

**Greater Ohio Virtual School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(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, 2014. 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 2014 are as follows:

- In total, net modified cash position increased by \$417,752, which represents a 11% increase from 2013. 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 modified 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 modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (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 modified cash basis of accounting.

The statement of net position and the statement of receipts, disbursements, and changes in fund net modified net position reflect how the School did financially during the fiscal year ended June 30, 2014. These statements include all assets using the modified cash basis of accounting.

These statements report the School's net modified cash position and changes in the net modified cash position. This change in net modified cash position 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, 2014
(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 modified cash position for fiscal year 2014 compared to fiscal year 2013:

Table 1
Net Modified Cash Position at Year End

<u>Assets:</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	<u>\$4,285,402</u>	<u>\$3,867,650</u>
<i>Total Assets</i>	<u><u>4,285,402</u></u>	<u><u>3,867,650</u></u>
<u>Net Modified Cash Position:</u>		
Restricted	19,655	264,034
Unrestricted	<u>4,265,747</u>	<u>3,603,616</u>
<i>Total Net Modified Net Position</i>	<u><u>\$4,285,402</u></u>	<u><u>\$3,867,650</u></u>

Current and other assets increased from fiscal year 2013 due to an increase in equity in pooled cash and investments held by the School.

The School’s largest portion of net modified cash position is unrestricted net modified cash position. The net modified cash position represents resources that may be used to meet the School’s ongoing obligations to its students and creditors.

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**Greater Ohio Virtual School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Table 2 the changes in net modified cash position for fiscal year 2014 compared to fiscal year 2013:

Table 2
Changes in Net Modified Cash Position

<i>Receipts:</i>	2014	2013
<i>Operating Receipts:</i>		
Foundation Payments	\$3,143,657	\$2,575,302
Tuition and Fees	1,100	926
<i>Nonoperating Receipts:</i>		
State and Federal Grants	167,576	264,034
Investment Earnings	6,017	3,611
Other Receipts	25,797	8,760
<i>Total Receipt</i>	<u>3,344,147</u>	<u>2,852,633</u>
<i>Operating Disbursements:</i>		
Salaries	1,234,936	904,205
Fringe Benefits	315,339	218,935
Purchased Services	549,602	907,692
Materials and Supplies	169,428	122,368
Capital Outlay	367,855	180,337
Other Disbursements	289,235	131,329
<i>Total Disbursements</i>	<u>2,926,395</u>	<u>2,464,866</u>
<i>Change in Net Modified Cash Position</i>	417,752	387,767
Net Modified Cash Position – Beginning of Year	<u>3,867,650</u>	<u>3,479,883</u>
Net Modified Cash Position – End of Year	<u>\$4,285,402</u>	<u>\$3,867,650</u>

The increase in Foundation payments is due to an increase in student population due to an increased effort to market the school. The decrease in purchased services is due to the school spending less on professional and contractual services. The decrease in grants is due to the school receiving less grant monies from the prior year. The increase in capital outlay is due to the school buying more equipment from the prior year.

The most significant program disbursements for the School are Salaries, Fringe Benefits, Purchased Services, and Materials and Supplies. These programs account for 78% of the total business-type activities disbursements.

The majority of the funding for the School is from foundation payments. Foundation receipts accounts for 94% of total receipts.

**Greater Ohio Virtual School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

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, 2014, 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 Foundation Payments, and State and Federal Grants. Foundation Payments, and State and Federal Grants 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.

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 Alleyn Unversaw, Treasurer of the Greater Ohio Virtual School, 1879 Deerfield Road, Lebanon, Ohio 45036.

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Greater Ohio Virtual School
Statement of Net Position - Modified Cash Basis
June 30, 2014

	<u>Greater Ohio Virtual School</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$4,285,402</u>
Total Assets	<u>4,285,402</u>
Net Modified Cash Position:	
Restricted for:	
State and Federal Grants	19,655
Unrestricted	<u>4,265,747</u>
Total Net Modified Cash Position	<u><u>\$4,285,402</u></u>

See accompanying notes to the basic financial statements.

Greater Ohio Virtual School
Statement of Receipts, Disbursements and Changes in Net Position - Modified Cash Basis
For the Fiscal Year Ended June 30, 2014

	Greater Ohio Virtual School
Operating Receipts:	
Tuition and Fees	\$1,100
Foundation Payments	3,143,657
Other Receipts	25,797
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Total Operating Receipts	3,170,554
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Operating Disbursements:	
Salaries	1,234,936
Fringe Benefits	315,339
Purchased Services	549,602
Materials and Supplies	169,428
Capital Outlay	367,855
Other Disbursements	289,235
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Total Operating Disbursements	2,926,395
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Operating Income (Loss)	244,159
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Non-Operating Receipts:	
Investment Earnings	6,017
State and Federal Grants	167,576
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Total Non-Operating Receipts	173,593
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Change in Net Modified Cash Position	417,752
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Net Modified Cash Position - Beginning of Year	3,867,650
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Net Modified Cash Position - End of Year	\$4,285,402
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See accompanying notes to the basic financial statements.

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

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 7 - 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 the director, Pat Paré 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 1 administrative, 5 classified, and 31 certified part-time employees.

The governing authority is the Greater Ohio Virtual School Board of Directors, which has, as voting members, those persons serving in the following two 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:

Sponsor's Representative
Sponsor's Representative

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 operation.

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, 2014**

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 8 to the basic financial statements.

As discussed further in Note 3, these financial statements are presented on a modified cash basis of accounting. The modified 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 modified cash basis of accounting. Following are the more significant of the School's accounting policies:

Basis of Presentation

The School's basic financial statements consist of a statement of net position and a statement of receipts, disbursements, and changes in net position. Both statements are prepared on a modified cash basis.

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

Measurement Focus

The School uses a modified cash basis of accounting for reporting purposes. With the exception of investment purchases and sales, receipts are recognized when they are received, and disbursements are recognized when they are paid.

Basis of Accounting

The School's financial statements are prepared using the modified 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 modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipt billed for provided services not yet collected) and certain liabilities (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements 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

Cash and Investments

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 Investments" on the financial statements.

Following Ohio statutes, the Board of Directors has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings credited during fiscal year 2014 amounted to \$6,017.

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Capital Assets

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

Net Modified Cash Position

Net modified cash position is 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 modified cash position are available.

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.

Operating Receipts and disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the School. Operating disbursements are necessary costs incurred to provide the good or service that is the primary activity of the School. All receipts 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 modified 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 position/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, 2014

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, 2014

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, 2014, the carrying amount of all School deposits was \$3,535,202. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2014, \$1,038,053 of the School's bank balance of \$4,044,190 was exposed to custodial risk as discussed above, while \$3,006,137 was covered by Federal Deposit Insurance. The remaining \$1,038,053 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, 2014, the School held \$750,200 in Star Ohio. Star Ohio was rated AAAM by Standard's & Poor's.

Note 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 2014, the School contracted with Governmental Underwriters of America for property insurance. Coverages provided are as follows:

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Building and Contents (\$1,000 deductible)	\$3,597,687
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 of Ohio

Plan Description

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, 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, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$26,629, \$29,932, and \$20,847, respectively; 100% has been contributed for each year.

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

State Teachers Retirement System of Ohio

Plan Description

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The School's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$137,524, \$72,943, and \$82,602, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

Note 7- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was .76%. School contributions for the years ended June 30, 2014, 2013 and 2012 were \$1,446, \$1,582, and \$1,132, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

were \$266, \$342, and \$2,129, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The School contributions for the years ended June 30, 2014, 2013, and 2012 were \$9,823, \$5,210, and \$5,900, 100% has been contributed for fiscal years 2014, 2013 and 2012.

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Note 8 - 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. Financial information can be obtained from the fiscal agent, Butler Tech, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Note 9 - Sponsorship Agreement with Warren County Educational Service Center

The School has entered into a sponsorship agreement with Warren County Educational Service Center, its Sponsor, whereby, the Sponsor shall receive compensation for services provided to School. As part of this agreement, the School shall compensate the Sponsor not to exceed three percent (3%) of the per-pupil allocation (foundation) paid to the School by the State of Ohio.

For this fee, the Sponsor monitors and evaluates the academic and fiscal performance and the organization and operations of the School, as well as other requirements under the law:

During fiscal year 2014, the School paid the Sponsor \$94,309 under this agreement.

Note 10 – Contingencies

Grants

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, 2014.

Litigation

The School's attorney estimates that all other potential claims against the School not covered by insurance resulting from all other litigation would not materially affect the financial statements of the School.

Note 11 – Change in Accounting Principles

The School adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement Number 67, *Financial Reporting from Pension Plans* – an amendment of GASB Statement Number 25. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources,

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the School. GASB Statement Number 67 replaces the requirements of Statements Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Deferred Contribution Plans*, and Number 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The provisions of the Statement are effective for financial statements for periods beginning after June 15, 2013, and have been implemented by the School.

GREATER OHIO VIRTUAL SCHOOL



Yellow Book Report

June 30, 2014

**INDEPENDENT AUDITOR'S 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***

Greater Ohio Virtual School
Warren County
1879 Deerfield Road
Lebanon, Ohio 45036

We have audited, in accordance with the 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, the financial statements of the Greater Ohio Virtual School (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 30, 2014, wherein we noted the School presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *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 corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses to be a material weakness: Finding 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2014-002.

We noted certain matters that we reported to management of the School in a separate letter dated December 30, 2014.

School's Response to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 30, 2014

GREATER OHIO VIRTUAL SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014

Finding 2014 – 001 – Material Weakness Related to Internal Controls Over Disbursements

During the course of our audit we noted three invoices that were not approved for payment. This resulted in material weakness 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 corrected on a timely basis. We recommend the School implement controls to ensure all disbursements are approved before payment is made.

Officials' Response:

The School will implement control procedures over the disbursement process.

Finding 2014 – 002 – Noncompliance – GAAP Reporting

Ohio Rev. Code Section 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the School to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2014, the School prepared financial statements on the modified cash basis, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows, deferred outflows, fund equities, and disclosures, that while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School's ability to evaluate and monitor the overall financial condition of the School.

We recommend the School prepare its financial statements on the GAAP basis of accounting.

Officials' Response:

The School has considered both the cost and benefits to filing GAAP statements in lieu of the currently used modified cash basis statements. At this time, we believe the cost savings and benefits to filing modified cash basis statements outweigh the costs and benefits to filing GAAP statements. The School will continue to evaluate the costs and benefits to filing modified cash basis statements annually in the event that a change needs to be made in the future.



Dave Yost • Auditor of State

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
MAY 7, 2015**