



Mary Taylor, CPA
Auditor of State

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ohio Virtual Academy
Lucas County
1655 Holland Road, Suite F
Maumee, Ohio 43537-1656

To the Governing Board:

We have audited the accompanying basic financial statements of the Ohio Virtual Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the management company's expenses which totaled \$29,920,557 as indicated in Note 15. Other auditors audited these amounts and have furnished their report thereon to us and we based our opinion, insofar as it relates to the amounts included for Note 15, on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Virtual Academy, Lucas County, Ohio, as of June 30, 2009, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2010, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

March 16, 2010

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)**

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

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2009 are as follows:

- Total net assets increased \$4,386 in 2009.
- Due to increased enrollment, total revenue increased from \$32,081,931 in fiscal year 2008 to \$45,584,204 in fiscal year 2009.
- Similarly, total program expenses increased from \$32,091,797 in fiscal year 2008 to \$45,579,818 in fiscal year 2009.
- Current liabilities increased \$348,521 with current assets increasing \$332,440 in 2009.
- The Academy does not have any long term debt.

Using this Financial Report

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

Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

These two statements report the Academy's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets – as reported in the Statement of Net Assets – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Net Assets and the Statement of Activities report the activities for the Academy, which encompass all the Academy's services, including instruction, support services and community services. Unrestricted state aid and state and federal grants finance most of these activities.

Table 1 provides a summary of the Academy's net assets for fiscal year 2009 and fiscal year 2008:

Table 1
Net Assets

| | 2009 | 2008 |
|-------------------------------|-------------------|-------------------|
| Assets: | | |
| Cash and Other Current Assets | \$ 1,709,223 | \$ 1,376,783 |
| Capital Assets, Net | 19,386 | 15,000 |
| <i>Total Assets</i> | <u>1,728,609</u> | <u>1,391,783</u> |
| Liabilities: | | |
| Current Liabilities | 1,410,662 | 1,062,141 |
| Non-Current Liabilities | 48,561 | 64,642 |
| <i>Total Liabilities</i> | <u>1,459,223</u> | <u>1,126,783</u> |
| Net Assets: | | |
| Invested in Capital Assets | 19,386 | 15,000 |
| Restricted | 408,041 | 325,946 |
| Unrestricted | (158,041) | (75,946) |
| <i>Total Net Assets</i> | <u>\$ 269,386</u> | <u>\$ 265,000</u> |

Total net assets increased by \$4,386, which equals the change in nets assets invested in capital assets. Restricted and unrestricted net assets remained unchanged in total at \$250,000 due to a service credit issued at year-end. The increase in restricted net assets of \$82,095 is related to the increase in grant carryover from fiscal year 2008 to 2009.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

Cash and other current assets increased by \$332,440 from \$1,376,783 in 2008 to \$1,709,223 in 2009. This primarily relates to an increase in cash of \$246,373 and an increase in intergovernmental receivables of \$85,984. In addition, current liabilities increased by \$348,521 year over year. Of the \$348,521 increase in current liabilities, accrued wages and benefits increased by \$266,468, or 51%, due to the increase in staff year over year. The balance of the current liabilities increase was due mainly to the increase in post-secondary option payments due to the Ohio Department of Education.

In addition, Capital Assets, Net increased by \$4,386 from 2008 to 2009. The increase resulted from capitalized purchases totaling \$17,460 less depreciation expense of \$13,074.

Table 2 shows the changes in net assets for fiscal year 2009 and fiscal year 2008, as well as a listing of revenues and expenses:

Table 2
Changes in Net Assets

| | 2009 | 2008 |
|-----------------------------------|-------------------|-------------------|
| Operating Revenue | | |
| Foundation | \$ 39,119,632 | \$ 28,010,201 |
| Special Education | 3,030,938 | 1,808,878 |
| Other Operating Revenue | 16,495 | 45,027 |
| Non-Operating Revenue | | |
| Grants and Program Initiatives | 3,417,139 | 2,217,825 |
| <i>Total Revenue</i> | <u>45,584,204</u> | <u>32,081,931</u> |
| Operating Expenses | | |
| Salaries | 8,099,162 | 5,591,374 |
| Fringe Benefits | 2,615,919 | 1,735,440 |
| Purchased Services | 27,241,051 | 19,001,121 |
| Materials and Supplies | 6,615,148 | 4,858,966 |
| Depreciation | 13,074 | 15,467 |
| Other Operating Expenses | 995,464 | 889,429 |
| <i>Total Expenses</i> | <u>45,579,818</u> | <u>32,091,797</u> |
| <i>Total Change in Net Assets</i> | <u>\$ 4,386</u> | <u>\$ (9,866)</u> |

The revenue generated by a community school is almost entirely dependent on the per-pupil allotment given by the State foundation and from federal entitlement programs.

Both total revenue and total expenses for the Academy increased 42% from fiscal year 2008 to fiscal year 2009. The increase in foundation revenue is a direct result of the growth in enrollment of 35% plus a 3% year over year increase in funding per pupil. Ending enrollment (based on FTE) for 2008 was 5,240 compared to 7,054 in fiscal year 2009. Special Education revenue is weighted based on the category of disability of the Special Education students enrolled in the Academy. The increase of more than 67% in Special Education revenue is due to both the enrollment growth and the disabilities of the students enrolled in the Academy.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

Non-operating revenue increased by \$1,199,314 year over year. Federal grant revenue increased by \$1,186,608 due mainly to the increase in Title I funding, which totaled \$1,018,403. Title I is based on the number of low income students in the Academy. Not only did the Academy enrollment increase year over year, but the percentage of low income students increased as well.

Overall, the increase of \$13,488,021 in total expenses for the Academy is related to the growth in enrollment plus typical cost of living increases for many expense line items.

Capital Assets

At the end of fiscal year 2009, the Academy had \$19,386 net of depreciation invested in furniture and equipment. Most of this equipment is computers and related items.

Current Financial Related Activities

The Academy's financial outlook over the next several years shows continued growth as enrollment is projected to increase. The management team and Board of Trustees intend to continue their good stewardship of public funds by keeping appropriate levels of working capital and net assets.

Contacting the Academy's Financial Management

This financial report is designed to provide all stakeholders with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Kelly Warnke, Business Manager, Ohio Virtual Academy, 1655 Holland Road, Suite F, Maumee, Ohio 43537.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets

Current Assets

| | | |
|------------------------------|----|-----------|
| Cash and Cash Equivalents | \$ | 1,000,521 |
| Prepaid Assets | | 3,655 |
| Accounts Receivable | | 75,000 |
| Intergovernmental Receivable | | 630,047 |
| <i>Total Current Assets</i> | | 1,709,223 |

Non-Current Assets

Capital Assets:

| | | |
|---------------------------------|--|--------|
| Depreciable Capital Assets, Net | | 19,386 |
|---------------------------------|--|--------|

| | | |
|---------------------|--|-----------|
| <i>Total Assets</i> | | 1,728,609 |
|---------------------|--|-----------|

Liabilities

Current Liabilities

| | | |
|----------------------------------|--|-----------|
| Accounts Payable | | 272,798 |
| Accrued Wages and Benefits | | 792,713 |
| Intergovernmental Payable | | 345,151 |
| <i>Total Current Liabilities</i> | | 1,410,662 |

Non-Current Liabilities

| | | |
|---------------------|--|--------|
| Due Within One Year | | 48,561 |
|---------------------|--|--------|

| | | |
|--------------------------|--|-----------|
| <i>Total Liabilities</i> | | 1,459,223 |
|--------------------------|--|-----------|

Net Assets

| | | |
|----------------------------|----|-----------|
| Invested in Capital Assets | | 19,386 |
| Restricted for Grants | | 408,041 |
| Unrestricted | | (158,041) |
| <i>Total Net Assets</i> | \$ | 269,386 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

| | |
|-------------------------------------|--------------------------|
| Operating Revenues | |
| Foundation Payments | \$ 39,119,632 |
| Special Education | 3,030,938 |
| Other Revenues | <u>16,495</u> |
| <i>Total Operating Revenues</i> | <u>42,167,065</u> |
| Operating Expenses | |
| Salaries | 8,099,162 |
| Fringe Benefits | 2,615,919 |
| Purchased Services | 27,241,051 |
| Materials and Supplies | 6,615,148 |
| Depreciation | 13,074 |
| Other | <u>995,464</u> |
| <i>Total Operating Expenses</i> | <u>45,579,818</u> |
| <i>Operating Loss</i> | <u>(3,412,753)</u> |
| Non-Operating Revenues | |
| Grants Received – Federal | 3,309,320 |
| Grants Received – State and Local | <u>107,819</u> |
| <i>Total Non-Operating Revenues</i> | <u>3,417,139</u> |
| <i>Change in Net Assets</i> | 4,386 |
| Net Assets Beginning of Year | <u>265,000</u> |
| <i>Net Assets End of Year</i> | <u><u>\$ 269,386</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents

| | |
|---|---------------------|
| <u>Cash Flows from Operating Activities</u> | |
| Cash Received from Special Education | \$ 3,030,938 |
| Cash Received from Others | 16,503 |
| Cash Received from Foundation Payments | 39,124,922 |
| Cash Payments to Suppliers for Goods and Services | (33,905,446) |
| Cash Payments to Employees for Services | (7,896,733) |
| Cash Payments for Employee Benefits | (2,533,130) |
| Cash Payments to Others | <u>(902,635)</u> |
| <i>Net Cash Used for Operating Activities</i> | <u>(3,065,581)</u> |
| | |
| <u>Cash Flows from Noncapital Financing Activities</u> | |
| Grants Received – Federal | 3,221,595 |
| Grants Received – State and Local | <u>107,818</u> |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | <u>3,329,413</u> |
| | |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Payments for Capital Acquisitions | <u>(17,459)</u> |
| | |
| <i>Net Increase in Cash and Cash Equivalents</i> | 246,373 |
| Cash and Cash Equivalents at Beginning of Year | <u>754,148</u> |
| | |
| <i>Cash and Cash Equivalents at End of Year</i> | <u>\$ 1,000,521</u> |

(Continued)

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

**Reconciliation of Operating Loss to Net
Cash Used for Operating Activities**

| | |
|--|-----------------------|
| Operating Loss | \$ (3,412,753) |
| Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities | |
| Depreciation | 13,074 |
| Changes in Assets and Liabilities | |
| Decrease in Accounts Receivable | 561 |
| (Increase) in Prepaid Items | (644) |
| Decrease in Intergovernmental Receivable | 1,741 |
| (Decrease) in Accounts Payable | (41,481) |
| Increase in Accrued Wages and Benefits | 266,468 |
| Increase in Intergovernmental Payable | 123,534 |
| (Decrease) in Compensated Absences | <u>(16,081)</u> |
| <i>Total Adjustments</i> | <u>347,172</u> |
| <i>Net Cash Used for Operating Activities</i> | <u>\$ (3,065,581)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Ohio Virtual Academy, (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy offers home-based public education for Ohio children in grades K-12. Parents, community leaders, and educators are working with the Academy to help provide an excellent education option. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the academy.

The Academy was approved for operation under a contract with the Ohio Council of Community Schools, (formerly known as the University of Toledo Charter School Council), (the Sponsor) for a period of ten academic years commencing on July 1, 2007. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration (see Note 16).

The Academy operates under the direction of a seven-member Board of Directors. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board oversees the Academy's instructional/support facility staffed by 20 administrative and 232 certificated teaching and other personnel who provide services to approximately 7,054 students.

The Academy contracts with K12 Inc. for a variety of services including management of personnel and human resources, the program of instruction, technology, marketing, data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment for teachers and students (see Note 14 and 15).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

B. Measurement Focus and Basis of Accounting

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes.

Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except under Ohio Revised Code Section 5705.391, the Academy must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction. In addition the Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The Academy maintains a capitalization threshold of over one thousand dollars for all assets, except leased assets. Leased assets with a purchase price of \$5,000 or less will not be capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of capital assets is computed using the straight-line method and the Academy utilizes the useful lives established by the IRS.

F. Intergovernmental Revenues

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met and they are earned and measurable.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

The Academy also participates in various state and federal operating grants. Grants awarded in 2009 included the following: Title VI-B for \$832,295, Title I \$2,248,973, Title I – School Improvement \$60,000, Title IIA \$122,643, Title IID \$21,063, Title V \$3,024, Title IV \$21,322, School Net Professional Development \$2,430, Entry Year Teacher Program \$9,100 and EMIS for \$21,289. The Academy also received a \$75,000 local grant in 2009.

Amounts awarded under the above named programs for the 2009 year totaled \$45,567,709.

G. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2009 including: accounts and intergovernmental payables.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time as of June 30. A non-current liability in the amount of \$48,561 for compensated absences is reflected on the Statement of Net Assets as of June 30, 2009.

I. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Academy has no debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

3. DEPOSITS

At fiscal year end June 30, 2009, the carrying amount of the Academy's deposits totaled \$1,000,521 and its bank balance was \$1,657,664. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure", as of June 30, 2009, none of the bank balance was exposed to custodial risk as discussed below, while \$1,657,664 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

at the 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.

4. RECEIVABLES

Receivables at June 30, 2009 mostly consisted of federal grant revenue receivables which are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds. Receivables are listed as follows:

| Program/Vendor | Amount |
|---|------------|
| Title I | 484,787 |
| Title I – School Improvement | 22,353 |
| Title II-A | 66,321 |
| Title II-D | 3,432 |
| Title IV | 20,944 |
| Title VI - Part B | 32,210 |
| <i>Total Intergovernmental Receivable</i> | 630,047 |
| Ohio Council of Community Schools | 75,000 |
| <i>Total Receivables</i> | \$ 705,047 |

5. CAPITAL ASSETS

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

| | Balance 06/30/08 | Additions | Deletions | Balance 06/30/09 |
|-----------------------------------|---------------------|-----------|------------|---------------------|
| Furniture, Fixtures and Equipment | \$124,781 | \$ 17,460 | (\$14,659) | \$ 127,582 |
| Less: Accumulated Depreciation | (109,781) | (13,074) | 14,659 | (108,196) |
| Capital Assets, Net | \$ 15,000 | \$ 4,386 | \$ - | \$ 19,386 |

6. INSTRUCTION

Approximately 69 percent of operating expenditures are used to provide direct instruction to students. Costs by various categories are as follows:

| Service Type | Total |
|---|---------------|
| Teacher Salaries, Benefits and Expenses | \$ 12,280,235 |
| Web Based Software-Curriculum | 11,942,605 |
| Instructional Materials Expense | 6,395,199 |
| Special Education Services | 636,998 |
| <i>Total</i> | \$ 31,255,037 |

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2009, the Academy obtained insurance through broker Brooks Insurance with the following insurance coverage:

| | |
|---|-------------|
| Commercial General Liability per Occurrence | \$1,000,000 |
| Commercial General Liability Aggregate | 1,000,000 |
| Umbrella Liability per Occurrence | 4,000,000 |
| Umbrella Liability Aggregate | 4,000,000 |
| Property | |
| Automobiles | 1,000,000 |

B. Workers' Compensation

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

C. Employee Medical, Dental, Vision, Prescription and Life Benefits

The Academy has contracted with private carriers to provide employee medical, dental, vision, prescription and life insurance to its employees.

8. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description – The Academy 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 – For the fiscal year ended June 30, 2009, plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

30, 2009, 2008 and 2007 were \$36,379, \$119,687 and \$131,230 respectively; 87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides 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 June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was 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 Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$996,508, \$557,018 and \$490,815 respectively; 85 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

9. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description - The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified 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 SERS 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 fiscal 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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$8,624.

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.

The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$25,273, \$54,617, and \$40,794 respectively; 87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was .75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$3,002, \$8,624, and \$8,355 respectively; 87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefits or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$76,654, \$42,847, and \$37,755 respectively; 85 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007

10. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions as 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure that schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review resulted in an overpayment to the Academy in the amount of \$26,737. This amount is reflected as an intergovernmental payable and is deducted from State foundation revenue.

11. OPERATING LEASES

The Academy leases an office facility under an operating lease. The terms of this lease end July 15, 2010. Total lease payments were \$89,245 for the year ended June 30, 2009. The future minimum lease payments, excluding taxes and Common Area Operating Expenses, for this lease are as follows:

| Fiscal Year Ending June 30, | Total |
|-------------------------------------|-----------|
| 2010 | \$ 89,245 |
| 2011 | 3,599 |
| <i>Total minimum lease payments</i> | \$ 92,844 |

12. PURCHASED SERVICE EXPENSES

For the fiscal year ended June 30, 2009, purchased service expenses were payments for services rendered by various vendors, as follows:

| Service Type | Total |
|---------------------------------|---------------|
| Professional/Technical Services | \$ 22,325,250 |
| Property Services | 3,858,465 |
| Travel | 669,116 |
| Communications | 331,878 |
| Utilities | 16,905 |
| Contracted Trade Service | 39,437 |
| <i>Total</i> | \$ 27,241,051 |

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

13. TAX EXEMPT STATUS

The Academy was approved for tax exempt status under § 501(c)(3) of the Internal Revenue Code.

14. MANAGEMENT AGREEMENT

The Academy entered into a ten-year contract, effective July 1, 2007 through June 30, 2017, with K12 Inc. for educational, administrative and technology services. Per the management agreement, K12 Inc. is entitled to 12 percent of revenues as an administrative fee (management) and 7 percent of revenues as a technology fee. The educational services are purchased at the prevailing rate charged by K12 Inc. to its partner schools. Terms of the contract require K12 Inc. to provide the following:

A. Administrative services:

- Personnel and facility management,
- Administration of all business aspects and day-to-day management of the Academy
- Budgeting and financial reporting and the annual reports
- Maintenance of financial and student records
- Pupil recruitment, Admissions and Student Discipline
- Rules and Procedures and nondiscrimination requirements
- Public relations

B. Technology services:

- Integrate technology and data systems with Academy's curriculum
- Monitor and analyze data, as necessary
- Report on pupils academic performance
- Seek and secure competitive pricing and discounts for Academy, as available
- Provide training to staff, parents, students as deemed necessary
- Develop, design, publish and maintain the Academy's interactive website
- Supervise installation of Academy's internal computer and telephone network
- Negotiate contracts with computer, printer, student information system, software and office set-up vendors
- Determine hardware configurations for the Academy's technology needs
- Support administrators in troubleshooting system errors

C. Educational services:

- Curriculum
- Instructional tools
- Additional educational services

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

As of June 30, 2009, payments to K12 Inc. totaled \$30,446,984 with \$553,011 still outstanding for all services. The breakdown is as follows:

| Service Type | Total |
|---------------------------------|---------------|
| Management Fee | \$ 4,989,781 |
| Web Based Software-Curriculum | 12,399,303 |
| Instructional Materials Usage | 6,279,392 |
| Teacher Instructional Materials | 39,036 |
| Technology Services Fee | 3,183,969 |
| Student Computers-Lease | 3,555,503 |
| <i>Total</i> | \$ 30,446,984 |

15. K12 Inc. Management Company Disclosure

For the fiscal year ended June 30, 2009, K12 Inc. incurred the following expenses:

| | |
|-------------------------------------|---------------|
| Direct Expenses | |
| Salaries and wages | \$ 4,430,953 |
| Books, periodicals, and films | 2,718,291 |
| Professional and technical services | 3,453,888 |
| Other purchased services | 3,345,994 |
| Depreciation | 3,017,670 |
| Contracted craft or trade services | 3,092,728 |
| Employee benefits | 1,118,963 |
| Miscellaneous | 1,192,171 |
| Travel | 214,409 |
| Interest | 207,231 |
| Communications | 77,009 |
| Property services | 11,103 |
| Dues and fees | 14,507 |
| Other supplies | 5,185 |
| | 22,900,102 |
| Overhead | 7,020,455 |
| | \$ 29,920,557 |

16. SPONSOR

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of ten academic years commencing on July 1, 2007. As part of this contract, the Sponsor is paid an oversight fee which is 1.5 percent of the total State Foundation funds received during the year. The total amount paid to the Sponsor for fiscal year 2009 was \$632,201.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

17. RESERVE FUND

The Academy and K12 Inc. agreed the Academy will maintain a \$250,000 reserve ("Reserve Fund"). The Reserve Fund is defined as total net assets at fiscal year end, excluding invested in capital assets as stated in the audited financial statements. At the end of the year, if necessary based on the Academy's audited financial statements, K12 will issue Service Credits in an amount sufficient to balance the Academy's budget and satisfy the Reserve Fund requirement.

At the end of the next fiscal year, if the Academy has surplus funds that exceed the Reserve Fund, as evidenced by the audited financial statements, the Academy will repay a portion or all of the prior year's Service Credit depending on the amount of the surplus. If the Academy has no surplus or less than the amount credited prior, there is no further obligation owed on the unpaid amounts on the prior credits given.

At the end of fiscal year 2009, K12 issued \$480,452 in Service Credits. Service Credits of \$357,398 were issued in 2008. They are reflected on the financials as a reduction in accounts payable owed K12 Inc.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Receipts | Disbursements |
|---|---------------------------|----------------------------|----------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through the Ohio Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | \$ 2,203,365 | \$ 2,141,215 |
| Special Education Grants to States | 84.027 | 854,123 | 847,370 |
| Safe and Drug-Free Schools and Communities State Grant | 84.186 | 2,926 | 1,654 |
| Innovative Education Program Strategies | 84.298 | 6,600 | 6,600 |
| Education Technology State Grant | 84.318 | 19,003 | 19,003 |
| Improving Teacher Quality State Grants | 84.367 | 97,931 | 63,549 |
| School Improvement Grant | 84.377 | <u>37,647</u> | <u>60,015</u> |
| Total Federal Awards | | <u>\$ 3,221,595</u> | <u>\$ 3,139,406</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

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Mary Taylor, CPA

Auditor of State

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

Ohio Virtual Academy
Lucas County
1655 Holland Road, Suite F
Maumee, Ohio 43537-1656

To the Governing Board:

We have audited the basic financial statements of Ohio Virtual Academy, Lucas County, (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated March 16, 2010, which indicated that the amounts presented in Note 15 were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. 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 Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, the Academy's Sponsor, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 16, 2010



Mary Taylor, CPA

Auditor of State

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

Ohio Virtual Academy
Lucas County
1655 Holland Road, Suite F
Maumee, Ohio 43537-1656

To the Governing Board:

Compliance

We have audited the compliance of Ohio Virtual Academy, Lucas County (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Ohio Virtual Academy complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, the Governing Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 16, 2010

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Ohio Virtual Academy
Lucas County
1655 Holland Road, Suite F
Maumee, Ohio 43537-1656

To the Governing Board:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 11, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

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- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the Academy administration semiannually provide the president of the Academy board a written summary of all reported incidents and post the summary on its web site, if the Academy has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

March 16, 2010



Mary Taylor, CPA
Auditor of State

OHIO VIRTUAL ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 6, 2010**