



**Auditor of State
Betty Montgomery**

GREENON VIRTUAL SCHOOL
CLARK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Greenon Virtual School
Clark County
500 Enon-Xenia Road
Enon, Ohio 45323

To the Governing Authority:

We have audited the accompanying financial statements of Greenon Virtual School, Clark County, a component unit of Greenon Local School District, (the School), as of and for the year ended June 30, 2005. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Greenon Virtual School as of and for the year ended June 30, 2005 in accordance with accounting principles generally accepted in the United States of America.

As disclosed in Note 10, the School ceased operations as of June 30, 2005.

The School has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2006, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 3, 2006

**GREENON VIRTUAL SCHOOL
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS
CASH DISBURSEMENTS AND CHANGE IN FUND CASH BALANCE
PROPRIETARY FUND TYPE
FOR THE PERIOD ENDED JUNE 30, 2005**

	<u>Enterprise</u>
Operating Receipts:	
Foundation Payments	\$172,247
Operating Disbursements:	
Purchased Services	<u>189,678</u>
Operating Income	(17,431)
Non-Operating Receipts:	
Federal and State Grants	31,950
Net Receipts Over Disbursements	14,519
Beginning Fund Balance - July 1, 2004	<u> </u>
Ending Fund Balance - June 30, 2005	<u><u>\$14,519</u></u>

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

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**GREENON VIRTUAL SCHOOL
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE VIRTUAL SCHOOL AND REPORTING ENTITY

The Greenon Virtual School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in grades three through twelve primarily through distance learning technologies. The School is non-sectarian in its programs, admissions policies, employment practices and all other operations. The School is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the School's program.

The School was approved for operation under contract with the Sponsor, Greenon Local School District, for a period of one year commencing July 1, 2004. The School accepted students beginning August 24, 2004. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Sponsor provided and maintained space at its high school at a cost of \$9,000 for overhead during the 2004-05 school year.

The School operates under the direction of a five-member Governing Authority comprised of the sponsoring school superintendent, assistant superintendent, lead teacher, parent/community member and the treasurer as a non-voting member. The Governing Authority is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. Greenon Local School District appoints the voting majority of the Governing Authority and is able to significantly influence the programs or services performed or provided, therefore, the School is a component unit of the Greenon Local School District.

The Governing Authority initially entered into a one-year service contract with Jefferson County Educational Service Center ("ESC") to provide planning, instructional, administrative, and technical services required for the operation of the School. The Governing Authority then entered into a one-year service contract with Tri-Rivers Educational Computer Association ("TRECA") to provide planning, instructional, administrative, and technical services required for the operation of the School. (See note 5)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principals, the School chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. The more significant of the School's accounting policies are described below.

**GREENON VIRTUAL SCHOOL
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

Enterprise Accounting

The School uses enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The School currently prepares an annual five-year forecast and the Governing Authority receives a financial report on a monthly basis.

C. Cash

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash.

D. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the School.

All revenues and expenses not meeting these definitions are reported as non-operating.

E. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accompanying financial statements.

The School participates in the State of Ohio Community School Grant through the Ohio Department of Education. Under this program, the School was awarded \$28,950 during the fiscal year ended June 30, 2005, to offset start-up costs of the School. The School also received \$3,000 of Educational Management Information Systems funding from the Ohio Department of Education. Revenues received from these programs are recognized as non-operating revenues on the accompanying financial statements.

3. DEPOSITS

At fiscal year end, the carrying amount of the School's deposits was \$14,519, and the bank balance was \$15,055. The entire bank balance was covered by federal depository insurance.

**GREENON VIRTUAL SCHOOL
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. 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 2005, the School was covered under the Sponsor's insurance for property, liability, and inland marine coverage.

5. SERVICE AGREEMENTS

The School entered into a one-year agreement with the Jefferson County Educational Service Center ("ESC") on May 13, 2004 for the period July 1, 2004 – June 30, 2005. The School entered into a one-year agreement with the Tri-Rivers Educational Computer Association ("TRECA"), which is a data acquisition site and member of the Ohio Education Computer Network established in accordance with Ohio Revised Code Section 3301.075, on November 15, 2004 for the period November 16, 2004 – June 30, 2005.

The School initially contracted with Jefferson County ESC, but found that the curriculum was not academically challenging enough, therefore the School made the additional contract with TRECA. TRECA provided planning, instructional, supervisory/administrative, special education and technical services sufficient to effectively implement the School's educational plan and assessment and accountability plan set forth in the contract with its Sponsor. The Jefferson County ESC contract was maintained in order to allow the students that had already started to finish in the same program.

All personnel providing services to the School on behalf of TRECA under the Comprehensive Services Agreement are considered employees of TRECA, and TRECA shall be solely responsible for all payroll functions. All personnel providing services to the School on behalf of the Jefferson County ESC under the Comprehensive Services Agreement are considered employees of Jefferson County ESC, and Jefferson County ESC shall be solely responsible for all payroll functions.

The School is required to pay the following fees to Jefferson County ESC:

1. Annual Fee: \$2,000 for fiscal year 2005. The Sponsor paid this fee on November 24, 2004 and was re-paid by the School on June 28, 2005.
2. Enrollment: License fee for 365 days of \$150 per student. Per class (teacher) fee of \$210. Semester fee of \$105 per student.

The School paid Jefferson County ESC \$6,335 during fiscal year 2005.

The School is required to pay the following fees to TRECA:

1. Enrollment: \$3,200 per full-time K-8 student and \$4,200 per full-time 9-12 student per year, or portion thereof.

The School paid TRECA \$71,234 for regular enrollment during fiscal year 2005 and \$707 was a payable to TRECA at June 30, 2005.

The School also contracted with TRECA for special education and related services provided to a student enrolled in the School with an Individual Education Plan. The School will pay TRECA for these services based on TRECA's actual costs instead of the per student amount described in the previous paragraph. This totaled \$699 in fiscal year 2005 with \$19 payable to TRECA at June 30, 2005.

**GREENON VIRTUAL SCHOOL
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

6. CONTINGENCIES

A. Grants

The School received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2005.

B. Litigation

The suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) School's program violates the State Constitution and State laws. On April 21, 2003, the Common Pleas Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals; the issues have been briefed, and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal for the Court of Appeals for review on February 16, 2005. Oral Argument occurred November 29, 2005. The effect of this suit, if any, on the School is not presently determinable.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the school. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusion of this review resulted in state funding being overpaid to the School in the amount of \$2,208 (See Note 10).

7. FEDERAL TAX-EXEMPT STATUS

In accordance with the options granted under existing Ohio law, the School did not file for tax- exempt status under Section 501(c)(3) of the Internal Revenue Code.

8. FISCAL AGENT

The School utilizes the services of the Greenon Local School District Treasurer as their fiscal officer. The School does not directly pay the Treasurer; however, it does reimburse Greenon Local School District for her services.

**GREENON VIRTUAL SCHOOL
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. PURCHASED SERVICES

For the period ended June 30, 2005, purchased service expenses were payments for services rendered by various vendors, as follows:

Director's Expense	\$25,709
Contractual Services	145,124
Fiscal Services	5,266
Technical Expense	3,488
Advertising Expense	1,091
Facility Expense	<u>9,000</u>
TOTAL	\$189,678

10. SUBSEQUENT EVENTS - CLOSURE OF THE SCHOOL

On May 12, 2005, the Sponsor made a resolution to cease operations of the School effective June 30, 2005 due to unanticipated limited success of the students. No additional revenue was received in the 2005-06 fiscal year. The School was required to repay \$2,208 of state foundation funding; \$137 of which the Sponsor paid, due the School's resources being exhausted. Additionally, the Sponsor will pay for the costs associated with the School's audit. The \$14,519 June 30, 2005 cash balance was liquidated by payments made from purchased services for:

Contractual Services	\$12,448
Refund of Foundation	<u>2,071</u>
TOTAL	\$14,519

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**Auditor of State
Betty Montgomery**

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

Greenon Virtual School
Clark County
500 Enon-Xenia Road
Enon, Ohio 45323

To the Governing Authority:

We have audited the financial statements of the Greenon Virtual School, Clark County, (the School), as of and for the year ended June 30, 2005, and have issued our report thereon dated February 3, 2006, wherein we noted the financial statements did not present fairly the financial position, results of operations and cash flows, and that the School ceased operation as of June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001.

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

We intend this report solely for the information and use of the management and the Governing Authority.
It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 3, 2006

GREENON VIRTUAL SCHOOL
CLARK COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2005

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

FINDING NUMBER 2005-001

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. However, for the last year of operation, the School prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio 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.



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GREENON VIRTUAL SCHOOL

CLARK 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
MARCH 14, 2006**