



Dave Yost • Auditor of State

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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Dave Yost • 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 School), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the management company's expenses which totaled \$41,319,527 as indicated in Note 15. Those amounts were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Note 15, is based 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions. We believe that our audit and the report of 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, 2011, and the changes in financial position and cash flows, thereof 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 20, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject 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, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 20, 2012

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011. 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 2011 are as follows:

- Total net assets increased \$4,298 in 2011.
- Due to increased enrollment and new American Recovery and Reinvestment Act (ARRA) grants, total revenue increased from \$54,258,140 in fiscal year 2010 to \$67,525,948 in fiscal year 2011.
- Similarly, total program expenses increased from \$54,267,564 in fiscal year 2010 to \$67,521,650 in fiscal year 2011.
- Current liabilities increased \$913,319 with current assets increasing \$957,936 in 2011.
- 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.

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.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

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 2011 and fiscal year 2010:

Table 1
Net Assets

	2011	2010
Assets:		
Cash and Other Current Assets	\$ 5,221,034	\$ 4,263,098
Capital Assets, Net	14,260	9,962
<i>Total Assets</i>	<u>5,235,294</u>	<u>4,273,060</u>
Liabilities:		
Current Liabilities	4,871,026	3,957,707
Non-Current Liabilities	100,008	55,391
<i>Total Liabilities</i>	<u>4,971,034</u>	<u>4,013,098</u>
Net Assets:		
Invested in Capital Assets	14,260	9,962
Restricted	2,408,872	1,960,738
Unrestricted	<u>(2,158,872)</u>	<u>(1,710,738)</u>
<i>Total Net Assets</i>	<u>\$ 264,260</u>	<u>\$ 259,962</u>

Total net assets increased by \$4,298, 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 \$448,134 is related to the increase in grant carryover from fiscal year 2010 to 2011.

Cash and other current assets increased by \$957,936 from \$4,263,098 in 2010 to \$5,221,034 in 2011. This primarily relates to an increase in cash of \$915,833 and an increase in intergovernmental receivables of \$46,120. In addition, current liabilities increased by \$913,319 year over year. Of the \$913,319 increase in current liabilities, accrued wages and benefits increased by \$577,392 due to the increase in staff year over year and the timing of the year end bonus payout to the staff. 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 \$4,298 from 2010 to 2011. The increase equals capitalized purchases less depreciation for the year.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Table 2 shows the changes in net assets for fiscal year 2011 and fiscal year 2010, as well as a listing of revenues and expenses:

Table 2
Changes in Net Assets

	2011	2010
Operating Revenue		
Foundation	\$ 48,833,171	\$ 41,368,068
Special Education	5,335,165	3,411,636
Other Operating Revenue	8,220	9,158
Non-Operating Revenue		
Grants and Program Initiatives	13,349,392	9,469,278
<i>Total Revenue</i>	67,525,948	54,258,140
Operating Expenses		
Salaries	12,666,816	10,102,106
Fringe Benefits	4,085,018	3,063,040
Purchased Services	39,310,395	31,615,453
Materials and Supplies	10,262,058	8,338,179
Depreciation	13,214	9,424
Other Operating Expenses	1,184,149	1,139,362
<i>Total Expenses</i>	67,521,650	54,267,564
<i>Total Increase/(Decrease) in Net Assets</i>	\$ 4,298	\$ (9,424)

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.

For the Academy, both the total revenue and total expenses increased 24% from fiscal year 2010 to fiscal year 2011. The increase in foundation revenue is a direct result of the growth in enrollment of 20%. In both 2010 and 2011, the per-pupil allotment included approximately 93% of State foundation funds and 7% of State Fiscal Stabilization Funds (SFSF). Ending enrollment (based on FTE) for 2011 was 9,533 compared to 7,950 in fiscal year 2010.

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 56% in Special Education revenue is due to both the enrollment growth and the disabilities of the students enrolled in the Academy.

Non-operating revenue increased by \$3,880,114 year over year. ARRA awards such as Race to the Top, Education Jobs and SFSF make up 92% of this increase. Title I makes up the additional 8% of the increase. 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 \$13,254,086 in total expenses for the Academy is related to the growth in enrollment plus typical cost of living increases for many expense line items, as well as, additional spending related to the ARRA grants.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)**

Capital Assets

At the end of fiscal year 2011, the Academy had \$14,260 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, School Treasurer, Ohio Virtual Academy, 1655 Holland Road, Suite F, Maumee, Ohio 43537.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets

Current Assets:

Cash and Cash Equivalents	\$ 1,922,294
Prepaid Items	5,565
Accounts Receivable	86,696
Intergovernmental Receivables	3,206,479
Total Current Assets	<u>5,221,034</u>

Non-Current Assets:

Depreciable Capital Assets, Net	<u>14,260</u>
Total Assets	<u>5,235,294</u>

Liabilities

Current Liabilities:

Accounts Payable	2,955,449
Accrued Wages and Benefits	1,404,956
Intergovernmental Payable	510,621
Total Current Liabilities	<u>4,871,026</u>

Non-Current Liabilities:

Due Within One Year	<u>100,008</u>
Total Liabilities	<u>4,971,034</u>

Net Assets

Invested in Capital Assets	14,260
Restricted for Grants	2,408,872
Unrestricted	<u>(2,158,872)</u>
Total Net Assets	<u>\$ 264,260</u>

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, 2011

Operating Revenues	
Foundation Payments	\$ 48,833,171
Special Education	5,335,165
Other Revenues	<u>8,220</u>
Total Operating Revenues	<u>54,176,556</u>
Operating Expenses	
Salaries	12,666,816
Fringe Benefits	4,085,018
Purchased Services	39,310,395
Materials and Supplies	10,262,058
Depreciation	13,214
Other	<u>1,184,149</u>
Total Operating Expenses	<u>67,521,650</u>
Operating Loss	<u>(13,345,094)</u>
Non-Operating Revenues	
Grants Received - Federal	13,268,392
Grants Received - State and Local	<u>81,000</u>
Total Non-Operating Revenues	<u>13,349,392</u>
Change in Net Assets	4,298
Net Assets Beginning of Year	<u>259,962</u>
Net Assets End of Year	<u><u>\$ 264,260</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Special Education	\$ 5,335,165
Cash Received from Others	8,382
Cash Received from Foundation Payments	48,876,337
Cash Payments to Suppliers for Goods and Services	(49,605,764)
Cash Payments to Employee for Services	(11,942,469)
Cash Payments for Employee Benefits	(3,935,634)
Cash Payments to Others	<u>(1,172,233)</u>

Net Cash Used for Operating Activities (12,436,216)

Cash Flows from Noncapital Financing Activities:

Grants Received - Federal	13,213,561
Grants Received - State and Local	<u>156,000</u>

Net Cash Provided by Noncapital Financing Activities 13,369,561

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(17,512)</u>
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Net Increase in Cash and Cash Equivalents 915,833

Cash and Cash Equivalents at Beginning of Year 1,006,461

Cash and Cash Equivalents at End of Year \$ 1,922,294

(Continued)

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

**Reconciliation of Operating Loss to Net
Cash Used by Operating Activities:**

Operating Loss	\$ (13,345,094)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	13,214
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(71,097)
Decrease in Prepaid Items	115
Decrease in Intergovernmental Receivable	8,710
Increase in Accounts Payable	92,381
Increase in Accrued Wages and Benefits	577,392
Increase in Intergovernmental Payable	243,546
Increase in Compensated Absences	<u>44,617</u>
Total Adjustments	<u>908,878</u>
Net Cash Used by Operating Activities	<u><u>\$ (12,436,216)</u></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, 2011**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Ohio Virtual Academy, (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School offers home-based public education for Ohio children in grades K-12. Parents, community leaders, and educators are working with the School to help provide an excellent education option. The School, 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 School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School 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 School 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 School operates under the direction of a six-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 School's instructional/support facility staffed by 25 administrative and 336 certificated teaching and other personnel who provide services to approximately 9,533 students.

The School 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 School 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 School 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 School's accounting policies are described below:

A. Basis of Presentation

The School'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, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (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 School 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 School 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 School 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 School 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 School 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 School utilizes the useful lives established by the IRS.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Intergovernmental Revenues

The School 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.

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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

The School also participates in various state and federal operating grants. Grants awarded in 2011 included the following: Title I \$3,228,126, Title VI-B \$1,443,430, Title I – School Improvement \$75,000, Title IIA \$170,838, Title IID \$10,757, Title IV (\$6,368), and EMIS for \$5,000. In addition, American Recovery and Reinvestment Act (ARRA) grants awarded in 2011 included the following: Title I-ARRA \$979,027, Title VI-B-ARRA \$ 750,144, Education Jobs \$1,605,679, Race to the Top \$399,666 and Stabilization \$4,612,093. The School also received a \$76,000 local grant in 2011.

Amounts awarded under the above named programs for the 2011 year totaled \$67,517,728.

G. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2011 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 School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time as of June 30. A non-current liability in the amount of \$100,008 for compensated absences is reflected on the Statement of Net Assets as of June 30, 2011.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 School 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 School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

3. DEPOSITS

At fiscal year end June 30, 2011, the carrying amount of the School's deposits totaled \$1,922,294 and its bank balance was \$2,323,539. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure", as of June 30, 2011, \$251,378 of the bank balance was exposed to custodial risk as discussed below, while \$2,072,161 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the School 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 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, 2011 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	\$1,398,531
Education Jobs	838,367
Title VI - Part B	393,758
Race to the Top	331,760
Title II-A	100,594
Title I - ARRA	54,963
SERS	87,806
Title IV	<u>700</u>
<i>Total Intergovernmental Receivable</i>	3,206,479
Other Receivables	<u>86,696</u>
<i>Total Receivables</i>	<u><u>\$ 3,293,175</u></u>

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011:

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11
Furniture, Fixtures and Equipment	\$89,687	\$17,512		\$ 107,199
Less: Accumulated Depreciation	(79,725)	(13,214)		(92,939)
Capital Assets, Net	\$ 9,962	\$ 4,298		\$ 14,260

6. INSTRUCTION

Approximately 67 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 & Expenses	\$17,539,079
Web Based Software-Curriculum	17,316,548
Instructional Materials Expense	9,726,721
Special Education Services	875,696
<i>Total</i>	\$45,458,044

7. RISK MANAGEMENT

A. Property and Liability

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. For the fiscal year ended 2011, the School obtained insurance through broker Brooks Insurance with the following insurance coverage:

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability Aggregate	2,000,000
Umbrella Liability per Occurrence	4,000,000
Umbrella Liability Aggregate	4,000,000
Property	
Automobiles	\$1,000,000

B. Workers' Compensation

The School 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.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. RISK MANAGEMENT – (Continued)

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

The School 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 School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 **Employee/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, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to Health Care and Medicare B Funds. The School District's contribution to SERS for the years ended June 30, 2011, 2010, and 2009 were \$138,484, \$71,429, and \$36,379 respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement 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.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. DEFINED BENEFIT PENSION PLANS – (Continued)

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, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,605,932, \$1,230,055, and \$996,508 respectively; 82 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

9. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. POSTEMPLOYMENT BENEFITS – (Continued)

Medicare Part B Plan

The Medicare Part 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 monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month 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 2011, the actuarially required allocation is 0.76%. The School's contributions for the years ended June 30, 2011, 2010 and 2009 were \$7,518, \$4,248, and \$3,002 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 HMOs, PPOs, 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. For the year ended June 30, 2011, the health care allocation is 1.43%. 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. State law provides 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 2011, the minimum compensation level was established at \$35,800. 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's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$32,931, \$19,541, and \$25,273, respectively.

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.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. POSTEMPLOYMENT BENEFITS – (Continued)

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.

B. State Teachers Retirement System

Plan Description – The School 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$114,710, \$94,620, and \$76,654 respectively; 82 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

10. CONTINGENCIES

A. Grants

The School 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 School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2011.

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 School in the amount of \$7,788. This amount is reflected as an intergovernmental payable and is deducted from State foundation revenue.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. CONTINGENCIES – (Continued)

C. Litigation

The School is a party to legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The School's management is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect on the financial condition of the School.

11. OPERATING LEASES

The School leases an office facility under an operating lease. The terms of this lease end June 30, 2014. Total lease payments were \$108,745 for the year ended June 30, 2010. The future minimum lease payments, excluding taxes and Common Area Operating Expenses, for this lease are as follows:

Fiscal Year Ending June 30,	Total
2012	\$ 96,696
2013	96,696
2014	96,696
<i>Total minimum lease payments</i>	<i>\$ 290,088</i>

12. PURCHASED SERVICE EXPENSES

For the fiscal year ended June 30, 2011, purchased service expenses were payments for services rendered by various vendors, as follows:

Service Type	Total
Professional/Technical Services	\$ 33,442,985
Property Services	4,756,219
Travel	629,772
Communications	423,757
Utilities	14,131
Contracted Trade Service	43,531
<i>Total</i>	<i>\$ 39,310,395</i>

13. TAX EXEMPT STATUS

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

14. MANAGEMENT AGREEMENT

The School 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:

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. MANAGEMENT AGREEMENT – (Continued)

A. Administrative services:

- Personnel and facility management,
- Administration of all business aspects and day-to-day management of the School
- 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 School's curriculum
- Monitor and analyze data, as necessary
- Report on pupils academic performance
- Seek and secure competitive pricing and discounts for School, as available
- Provide training to staff, parents, students as deemed necessary
- Develop, design, publish and maintain the School's interactive website
- Supervise installation of School'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 School's technology needs
- Support administrators in troubleshooting system errors

C. Educational services:

- Curriculum
- Instructional tools
- Additional educational services

As of June 30, 2011, payments to K12 Inc. totaled \$42,294,796 with \$2,501,838 still outstanding for all services. The breakdown is as follows:

Service Type	Total
Management Fee	\$ 7,302,698
Web Based Software-Curriculum	17,193,419
Instructional Materials Usage	9,274,587
Teacher Instructional Materials	49,200
Technology Services Fee	4,259,907
Student Computers-Lease	4,214,985
<i>Total</i>	\$ 42,294,796

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. K12 INC. MANAGEMENT COMPANY DISCLOSURE

For the fiscal year ended June 30, 2011, K12 Inc. incurred the following expenses:

Direct Expenses:		
Contracted craft or trade services	\$	5,580,237
Depreciation		5,400,060
Professional and technical services		4,835,770
Salaries and wages		4,684,215
Books, periodicals and films		4,115,645
Employees' benefits		1,970,394
Other direct costs		1,461,383
Other purchased services		1,252,217
Interest		154,313
Dues and fees		99,255
Communications		97,508
Travel		32,256
Property services		12,289
Other supplies		4,540
		<hr/>
		29,700,082
Overhead		11,619,445
		<hr/>
	\$	<u>41,319,527</u>

16. SPONSOR

The School 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 2011 was \$811,202.

17. RESERVE FUND

The School and K12 Inc. agreed the School 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 School's audited financial statements, K12 will issue Service Credits in an amount sufficient to balance the School's budget and satisfy the Reserve Fund requirement.

At the end of the next fiscal year, if the School has surplus funds that exceed the Reserve Fund, as evidenced by the audited financial statements, the School will repay a portion or all of the prior year's Service Credit depending on the amount of the surplus. If the School 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 2011, K12 Inc. issued a Service Credit of \$267,635. This Service Credit is reflected as a decrease in accounts payable owed to K12 Inc. At the end of fiscal year 2010, K12 Inc. issued an invoice for \$431,000 to pay back a portion of FY09 Service Credits.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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>			
ARRA - Title I Grants to Local Educational Agencies	84.389	\$ 1,475,053	\$ 1,319,781
Title I Grants to Local Educational Agencies	84.010	3,134,750	2,759,376
School Improvement Grant	84.010	103,436	75,000
Total CFDA # 84.010		<u>3,238,186</u>	<u>2,834,376</u>
Total Title I Grants to LEA Cluster		4,713,239	4,154,157
ARRA - Special Education Grants to States	84.391	1,219,641	1,121,896
Special Education Grants to States	84.027	1,562,363	1,402,261
Total Special Education Grants to States Cluster		<u>2,782,004</u>	<u>2,524,157</u>
ARRA - Race to the Top Grant	84.395	67,906	67,906
Safe and Drug-Free Schools and Communities State Grant	84.186	37,751	31,625
Education Technology State Grant	84.318	27,002	10,964
Improving Teacher Quality State Grants	84.367	206,254	89,652
Education Jobs Grant	84.410	767,312	759,264
ARRA - Education Stabilization Grant	84.394	<u>4,612,093</u>	<u>4,612,093</u>
Total		<u><u>\$ 13,213,561</u></u>	<u><u>\$ 12,249,818</u></u>

The accompanying notes are an intergral 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, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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



Dave Yost • Auditor of State

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

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 the Ohio Virtual Academy, Lucas County, Ohio (the School), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 20, 2012 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 School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 20, 2012.

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

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

Dave Yost
Auditor of State

March 20, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, Ohio (the School), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School's major federal programs. The School'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 opine on the School's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 School's compliance with these 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 School's compliance with these requirements.

In our opinion, Ohio Virtual Academy, Lucas County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The School'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 School's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.auditor.state.oh.us

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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 noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated March 20, 2012.

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



Dave Yost
Auditor of State

March 20, 2012

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	ARRA - State Fiscal Stabilization Fund - CFDA 84.394 Education Jobs Funds – CFDA 84.410 Title I Cluster: <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies and School Improvement Grant - CFDA 84.010 • ARRA - Title I Grants to Local Educational Agencies - CFDA 84.389 Special Education Cluster: <ul style="list-style-type: none"> • Special Education Grants to States - CFDA 84.027 • ARRA - Special Education Grants to States - CFDA 84.391
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 367,495 Type B: all others

(d)(1)(ix)	Low Risk Auditee?	Yes
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2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

We noted the School amended its anti-harassment policy at its meeting on February 14, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 School's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 20, 2012

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Dave Yost • 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
MARCH 29, 2012