VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE **PAGE**

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INDEPENDENT AUDITOR'S REPORT

Virtual Schoolhouse
Cuyahoga County
736 Lakeview Road
Cleveland, Ohio 44108

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Virtual Schoolhouse, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virtual Schoolhouse, Cuyahoga County as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 19 to the financial statements, the School's sponsorship agreement expires on June 30, 2016 and will not be renewed due to failing academic performance. On June 7, 2016, the Board of Trustees approved the closing of the School due to a lack of sponsorship as of June 30, 2016. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

June 8, 2016

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The discussion and analysis of Virtual Schoolhouse's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, the School's net position increased $599,712 from a restated deficit of $5,476,174 to a deficit of $4,876,462.

- The School had operating revenues of $4,585,757 and operating expenses of $4,945,264 during fiscal year 2015. The School also recognized non-operating revenue of $960,090 from federal and State grants and entitlements and non-operating expenses of $871 during the year.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did the School perform financially during 2015? The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to accounting used by most private-sector companies. This basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in net position. The change in net position is important because it tells the reader the extent to which the financial position of the School as a whole has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 11 and 12 of this report.

The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 13 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 15-30 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report as presents certain required supplementary information concerning the School's net pension liability. This required supplementary information can be found on pages 31-37 of this report.

The table below provides a summary of the School's net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.

Net Position

	2015	Restated 2014
Assets		
Current assets	$ 362,717	$ 183,768
Non-current assets	57,674	32,551
Total assets	420,391	216,319
Deferred outflows of resources	252,804	227,938
Liabilities		
Current liabilities	356,429	567,871
Non-current liabilities	4,010,211	4,790,998
Total liabilities	4,366,640	5,358,869
Deferred inflows of resouces	1,183,017	561,562
Net Position		
Net investment in capital assets	57,674	12,690
Restricted	98,795	63,707
Unrestricted (deficit)	(5,032,931)	(5,552,571)
Total net position (deficit)	$ (4,876,462)	$ (5,476,174)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the School's net position totaled a deficit of $4,876,462, which is an increase from the School's restated net position deficit of $5,476,174 at June 30, 2014.

Current assets consist of cash and intergovernmental receivables. The School received federal grant funding, including grants through the IDEA Part B program, school improvement Title I, and disadvantaged children Title I programs. Current liabilities in fiscal year 2015 decreased from the prior year due to lower accounts payable for services rendered and materials purchased during 2015 but paid in the next fiscal year.

At June 30, 2015, capital assets represented 13.72 percent of total assets. Capital assets are used to provide services to students and are not available for future spending. Capital assets consist of furniture, fixtures and equipment and computer equipment.

During 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from a deficit of $371,413 to a deficit of $5,476,174.

The table below shows the changes in net position for fiscal years 2015 and 2014.

Change in Net Position

	2015	2014
State foundation	$ 4,525,126	$ 4,058,045
Other	60,631	9,718
Total operating revenue	4,585,757	4,067,763
Operating Expenses:		
Salaries and wages	1,493,965	1,694,840
Fringe benefits	151,585	386,921
Purchased services	2,987,729	2,477,935
Materials and supplies	174,484	149,128
Other	115,654	124,752
Depreciation	21,847	17,712
Total operating expenses	4,945,264	4,851,288
Non-Operating Revenues (Expenses):		
Federal and State grants	960,090	1,393,951
Interest and fiscal charges	(871)	(2,393)
Total non-operating revenues (expenses)	959,219	1,391,558
Change in net position	599,712	608,033
Net position (deficit) at beginning of year (Restated See Note 3)	(5,476,174)	N/A
Net position (deficit) at end of year	$ (4,876,462)	$ (5,476,174)

The revenue generated by community schools is heavily dependent upon the per-pupil allotment determined by the State foundation program and federal entitlement programs. Foundation payments amounted to 81.59 percent of total revenues received during fiscal year 2015 and increased $467,081 from fiscal year 2014. In total, operating expenses increased $93,976 during 2015.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of $227,938 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $499,510. Consequently, in order to compare 2015 total operating expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	$ 4,945,264
Pension expense under GASB 68	(499,510)
2015 contractually required contributions	214,597
Adjusted 2015 operating expenses	4,660,351
Total 2014 operating expenses under GASB 27	4,851,288
Decrease in operating expenses not related to pension	$ (190,937)

Capital Assets

At June 30, 2015, the School had $57,674 invested in furniture, fixtures and equipment and computer equipment, net of accumulated depreciation. The School's capital assets, net of accumulated depreciation, increased $25,123 during fiscal year 2015 due to capital outlays of $46,970 exceeding depreciation expense of $21,847 during the year. See Note 6 to the financial statements for further detail regarding the School's capital assets.

Debt Administration

At June 30, 2015, the School did not have any long-term debt outstanding.

Current Financial Related Activities

The School relies on the State foundation funds as well as State and federal sub-grants to provide the resources necessary to operate the electronic conversion school.

The School has committed itself to providing online educational opportunities to students. Management will aggressively pursue adequate funding to secure the financial stability of the School.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Joseph Kay, Treasurer, Virtual Schoolhouse, 736 Lakeview Rd., Cleveland, Ohio 44108.

BASIC
FINANCIAL STATEMENTS

VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets:	
Current assets:	
Cash.	$ 64,153
Receivables:	
Intergovernmental.	298,564
Total current assets	362,717
Non-current assets:	
Depreciable capital assets, net	57,674
Total non-current assets.	57,674
Total assets.	420,391
Deferred outflows of resources:	
Pension - STRS.	218,445
Pension - SERS.	34,359
Total deferred outflows of resources	252,804
Liabilities:	
Current liabilities:	
Accounts payable.	138,007
Accrued wages and benefits	186,833
Pension obligation payable.	25,636
Intergovernmental payable	5,953
Total current liabilities	356,429
Non-current liabilities:	
Net pension liability.	4,010,211
Total non-current liabilities	4,010,211
Total liabilities	4,366,640
Deferred inflows of resources:	
Pension - STRS.	1,124,837
Pension - SERS.	58,180
Total deferred inflows of resources	1,183,017
Net position:	
Net investment in capital assets.	57,674
Restricted for:	
State funded programs.	3,151
Federally funded programs	93,264
Other purposes.	2,380
Unrestricted.	(5,032,931)
Total net position.	$ (4,876,462)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating revenues:	
State Foundation.	$ 4,525,126
Other	60,631
Total operating revenues	4,585,757
Operating expenses:	
Salaries and wages.	1,493,965
Fringe benefits.	151,585
Purchased services.	2,987,729
Materials and supplies	174,484
Other.	115,654
Depreciation	21,847
Total operating expenses.	4,945,264
Operating loss.	(359,507)
Non-operating revenues (expenses):	
Federal and State grants.	960,090
Interest and fiscal charges	(871)
Total nonoperating revenues (expenses)	959,219
Change in net position	599,712
Net position at beginning of year (restated).	(5,476,174)
Net position at end of year	$ (4,876,462)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:	
Cash received from State foundation	$ 4,506,837
Cash received from other operations	60,631
Cash payments for salaries and wages.	(1,487,772)
Cash payments for fringe benefits	(356,179)
Cash payments for contractual services	(3,215,573)
Cash payments for materials and supplies	(170,755)
Cash payments for other expenses	(120,147)
Net cash used in operating activities	(782,958)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	862,232
Net cash provided by noncapital financing activities.	862,232
Cash flows from capital and related financing activities:	
Interest and fiscal charges	(871)
Principal retirement on capital lease	(19,861)
Acquisition of capital assets	(32,825)
Net cash used in capital and related financing activities.	(53,557)
Net increase in cash and cash equivalents	25,717
Cash and cash equivalents at beginning of year . . .	38,436
Cash and cash equivalents at end of year	$ 64,153
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	$ (359,507)
Adjustments:	
Depreciation	21,847
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(55,374)
Decrease in accounts payable.	(224,412)
Increase in accrued wages and benefits	6,461
(Decrease) in intergovernmental payable	(4,106)
(Decrease) in pension obligation payable	(3,530)
(Decrease) in net pension liability, deferred inflows and . deferred outflows.	(164,337)
Net cash used in operating activities	$ (782,958)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Virtual Schoolhouse (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through twelfth grade. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school. Virtual Schoolhouse is a hybrid virtual and classroom-based school designed to address the needs of students in grades K-12 who are at risk for drop-out status. The students face many economic, environmental, emotional and/or academic challenges, including physical and mental health illnesses, social disadvantage, learning disabilities or other special needs. Virtual Schoolhouse strives to provide exceptional educational experiences for all students regardless of grade or performance level. The online curriculum in conjunction with individualized face-to-face instruction provides innovative educational opportunities for the students. This instructional model allows the students to successfully participate in a challenging, standards-based curriculum at a pace that best suits their developmental level and individual needs. Virtual Schoolhouse provides educational opportunities to students in varying circumstances, whether the student is hospitalized, placed at home through an Individualized Education Plan or in a center-based environment.

The School was approved for operation under contract with the Educational Service Center of Lake Erie West (the "Sponsor") for a period of five years commencing July 1, 2004. The contract is renewable annually. The contract was renewed for a period of one year commencing July 1, 2014 through June 30, 2015. 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 School operates under the direction of a five member Board of Trustees. The Board 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. The Board of Trustees controls the School's instructional/support facility staffed by 9 non-certified and 42 certified teaching personnel who provide services to 400 students. Additional individuals support administration, special education, and tutor programs through a management agreement with the Tree of Knowledge Learning Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (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's most significant accounting policies are described below.

A. Basis of Presentation

The School uses enterprise accounting to maintain its financial records during the school year. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

NOTE 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, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. Operating statements present increases and decreases in net position.

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 earned and expenses are recognized when they are incurred.

C. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources have been reported for the following two items related the School's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the School's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments and the changes in proportionate share related to the School's net pension liability.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

E. Cash

Cash and depository balances are reflected as "cash" on the statement of net position. The School did not have any investments at June 30, 2015.

F. 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 values as of the dates received. The School maintains a capitalization threshold of $1,500. The School does not possess any infrastructure. Improvements are capitalized, normal maintenance and repairs that do not add to the value of the asset are not.

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

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets.

Assets	Years
Buildings	50
Building Improvements	20
Vehicles	10
Furniture, fixtures and Equipment	10
Computer equipment	5

G. Intergovernmental Revenues

The School participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met and totaled $4,525,126 during fiscal year 2015.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year 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. Amounts awarded under such federal and State programs for fiscal year 2015 totaled $960,090.

H. Prepaid Items

Payments made to vendors for services that will benefit future periods are recorded as prepayments using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. The School had no prepaid assets as of June 30, 2015.

I. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

J. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Operating Revenues and Expenses

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

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

M. Accrued Liabilities

The School has recognized certain expenses due and not paid as of June 30, 2015. These expenses are reported as accrued liabilities in the accompanying financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the School has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the School's pension plan disclosures, as presented in Note 9 to the financial statements, and added required supplementary information which is presented on pages 31 through 37.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The net position at July 1, 2014 has been restated as follows:

Net position as previously reported	$ (371,413)
Deferred outflows - payments subsequent to measurement date	227,938
Deferred inflows - change in proportionate share	(561,562)
Net pension liability	(4,771,137)
Restated net position at July 1, 2014	$ (5,476,174)

Other than employer contributions subsequent to the measurement date and change in proportionate share, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - DEPOSITS

At June 30, 2015, the carrying amount of all School deposits was $64,153. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2015, the School's bank balance of $110,562 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

NOTE 5 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental receivables arising from grants and entitlements, refunds, and reimbursements due from other governments. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	Amount
Federal meal reimbursement	$ 2,843
Title I	95,900
Race to the Top	2,437
School improvement	22,681
Medicaid reimbursement	79,291
Refund from School Employees Retirement System of Ohio	10,205
Full-Time Enrollment Adjustment from ODE	48,122
Refund from State Teacher's Retirement System of Ohio	37,085
Total intergovernmental receivables	$ 298,564

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/14	Additions	Deductions	Balance 6/30/15
Capital assets, being depreciated:				
Furniture, fixtures and equipment	$ 35,164	$ -	$ -	$ 35,164
Computer equipment	191,165	46,970	-	238,135
Subtotal	226,329	46,970	-	273,299
Less: accumulated depreciation	(193,778)	(21,847)	-	(215,625)
Depreciable capital assets, net	$ 32,551	$ 25,123	$ -	$ 57,674

NOTE 7 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In March 2010, the School entered into a capital lease agreement for Toshiba copier equipment. The lease meets the criteria of a capital lease as defined one which transfers benefits and risks of ownership to the lessee. The capital lease was recorded as a long-term liability at the present value of the future minimum lease payments as of its inception date. Principal and interest payments made during 2015 totaled $19,861 and $871, respectively. This lease was retired during fiscal year 2015.

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The District 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 2015, the District has contracted with the Ohio School Plan to provide insurance coverage in the following amounts:

Coverage	Limits of Coverage
General liability:	
Each occurrence	$1,000,000
Damage to rented premises (each occurrence)	100,000
Medical	5,000
Personal injury	1,000,000
Aggregate	2,000,000
Automobile liability	1,000,000
Umbrella liability	3,000,000
Directors and officers	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

NOTE 8 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

The School pays the Ohio Bureau of Workers' Compensation a premium for employee injury coverage. The premium is calculated by multiplying the annual total gross payroll by a factor determined by the state.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was $31,308 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

NOTE 9 - 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The School's contractually required contribution to STRS was $183,289 for fiscal year 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School 's proportion of the net pension liability was based on the School 's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 358,467	$ 3,651,744	$ 4,010,211
Proportion of the Net Pension Liability	0.00708300%	0.01501300%	
Pension Expense	$ 20,918	$ 478,592	$ 499,510

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 3,051	$ 35,156	$ 38,207
School District contributions subsequent to the measurement date	31,308	183,289	214,597
Total Deferred Outflows of Resources	$ 34,359	$ 218,445	$ 252,804
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 58,180	$ 675,587	$ 733,767
Changes in proportion share	-	449,250	449,250
Total Deferred Inflows of Resources	$ 58,180	$1,124,837	$1,183,017

$214,597 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$ (13,782)	$ (272,420)	$ (286,202)
2017	(13,782)	(272,420)	(286,202)
2018	(13,782)	(272,420)	(286,202)
2019	(13,783)	(272,421)	(286,204)
Total	$ (55,129)	$ (1,089,681)	$ (1,144,810)

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 511,425	$ 358,467	$ 229,815

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Schools' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School 's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 5,227,870	$ 3,651,744	$ 2,318,872

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School's surcharge obligation was $2,387.

The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $4,335, $3,942, and $2,428, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

Plan Description – The School participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $15,012, and $16,950 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 11 - OTHER EMPLOYEE BENEFITS

Insurance Benefits

The School has contracted with Aetna to provide employee health and dental insurance benefits and Lincoln Financial to provide life insurance. The School paid a portion of the monthly premium for fiscal year 2015 for single coverage and joint coverage depending on the employee's contract.

NOTE 12 - LONG TERM OBLIGATIONS

The long-term obligations at June 30, 2014 have been restated, as described in Note 3. The School's long term obligations activity for the fiscal year ended June 30, 2015, was as follows:

	Restated Balance Outstanding 06/30/14	Additions	Reductions	Balance Outstanding 06/30/15	Amounts Due in One Year
Net pension liability	$ 4,771,137	$ -	$ (760,926)	$ 4,010,211	$ -
Capital leases payable	19,861	-	(19,861)	-	-
Total	$ 4,790,998	$ -	$ (780,787)	$ 4,010,211	$ -

Capital Lease Obligation - See Note 7 for details.

Net Pension Liability - See Note 9 for details.

NOTE 13 - PURCHASED SERVICES EXPENSES

For the year ended June 30, 2015, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and technical services	$ 2,256,553
Property services	585,542
Travel mileage/meeting expense	4,246
Communications	113,291
Pupil transportation services	12,663
Other	15,434
Total purchased services	$ 2,987,729

NOTE 14 - 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 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 general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the School at June 30, 2015.

B. Full Time Equivalency

The Ohio Department of Education conducts reviews on enrollment data and full-time equivalency calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the reviews after fiscal year end, the School is owed $48,122 from the Ohio Department of Education.

NOTE 15 - OPERATING LEASE - LESSEE DISCLOSURE

The School entered into a lease agreement effective September 1, 2013 through August 31, 2018, with Tree of Knowledge Learning Center, Inc. to lease classroom space for the School. The School shall pay to Tree of Knowledge Learning Center, Inc. monthly installments of $40,000 due and payable on the first day of each month.

NOTE 16 - SPONSORSHIP FEES

The School contracts with the Educational Services Center of Lake Erie West (“ESCLEW”) for sponsorship beginning July 1, 2004. The current contract expires on June 30, 2015. ESCLEW is to provide oversight, monitoring, and technical assistance for the School. Sponsorship fees amounted to $89,453 paid to ESCLEW during fiscal year 2015.

NOTE 17 - MANAGEMENT AGREEMENT

The School contracts with Learning Concepts, Inc. for management services, including but not limited to oversight and administration of educational programs, professional development of employees, long-term and strategic planning for the School, oversight of vendors and sub-contractors, assistance in audits, and oversight of the School’s finances. Fees for management services are calculated as a percentage of annual foundation revenue and amounted to $769,778 paid to Learning Concepts, Inc. during fiscal year 2015.

NOTE 18 - TAX EXEMPT STATUS

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on April 1, 2005. Management is not aware of any course of action or series of events that might adversely affect the School’s tax exempt status.

NOTE 19 – GOING CONCERN

The School’s current sponsorship agreement expires on June 30, 2016 and will not be renewed due to failing academic performance. On June 7, 2016, the Board of Trustees approved the closing of the School effective June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2014	**2013**
School's proportion of the net pension liability	0.00708300%	0.00708300%
School's proportionate share of the net pension liability	$ 358,467	$ 421,203
School's covered-employee payroll	$ 205,808	$ 253,916
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.18%	165.88%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
School's proportion of the net pension liability	0.01501300%	0.01501300%
School's proportionate share of the net pension liability	$ 3,651,744	$ 4,349,934
School's covered-employee payroll	$ 1,533,946	$ 1,694,962
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	256.64%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011
Contractually required contribution	$ 31,308	$ 28,525	$ 35,142	$ 28,944	$ 30,328
Contributions in relation to the contractually required contribution	(31,308)	(28,525)	(35,142)	(28,944)	(30,328)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 237,542	$ 205,808	$ 253,916	$ 215,197	$ 241,273
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%

2010		2009		2008		2007		2006	
$	25,074	$	45,638	$	31,946	$	6,137	$	-
	(25,074)		(45,638)		(31,946)		(6,137)		-
$	-	$	-	$	-	$	-	$	-
$	185,185	$	463,801	$	325,316	$	57,463	$	-
	13.54%		9.84%		9.82%		10.68%		10.58%

VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011
Contractually required contribution	$ 183,289	$ 199,413	$ 220,345	$ 155,381	$ 146,027
Contributions in relation to the contractually required contribution	(183,289)	(199,413)	(220,345)	(155,381)	(146,027)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 1,309,207	$ 1,533,946	$ 1,694,962	$ 1,195,238	$ 1,123,285
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

2010		2009		2008		2007		2006	
$	187,713	$	252,165	$	146,343	$	80,124	$	52,078
	(187,713)		(252,165)		(146,343)		(80,124)		(52,078)
$	-	$	-	$	-	$	-	$	-
$	1,443,946	$	1,939,731	$	1,125,715	$	616,338	$	400,600
	13.00%		13.00%		13.00%		13.00%		13.00%

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Receipts	Expenditures
U. S. Department of Agriculture			
Passed Through the Ohio Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	$ 40,794	$ 40,794
National School Lunch Program	10.555	100,346	100,346
Total U.S. Department of Agriculture - Nutrition Cluster		141,140	141,140
U. S. Department of Education			
Passed Through the Ohio Department of Education			
Special Education - Grants to States, IDEA Part B	84.027	163,788	152,522
Title I, Grants to Local Educational Agencies	84.010	263,876	247,864
School Improvement Grants	84.377	235,526	220,768
Title II A Improving Teacher Quality	84.367	3,424	3,663
Race-To-The-Top Incentive Grants, Recovery Act	84.395	27,306	10,084
Total U.S. Department of Education		693,920	634,901
Total Federal Assistance		$ 835,060	$ 776,041

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Virtual Schoolhouse's (the School) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the School to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

CFDA – Catalog of Federal Domestic Assistance

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

Virtual Schoolhouse
Cuyahoga County
736 Lakeview Road
Cleveland, Ohio 44108

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Virtual Schoolhouse, Cuyahoga County, (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated June 8, 2016, wherein we noted the School adopted Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We also noted the Board of Trustees approved closing of the School.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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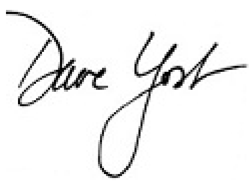
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361
www.ohioauditor.gov

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 8, 2016

Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Virtual Schoolhouse
Cuyahoga County
736 Lakeview Road
Cleveland, Ohio 44108

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Virtual Schoolhouse's (the School) compliance with the applicable 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 Virtual Schoolhouse's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School's major federal programs.

Management's Responsibility

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for each of the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major programs. However, our audit does not provide a legal determination of the School's compliance.

Basis for Qualified Opinion on Title I and School Improvement Grant major Federal Programs

As described in finding 2015-001 in the accompanying schedule of findings, the School did not comply with requirements regarding procurement and suspension and debarment applicable to its Title I and School Improvement Grant major federal programs. Compliance with this requirement is necessary, in our opinion, for the School to comply with requirements applicable to these programs. Compliance with this requirement is necessary, in our opinion, for the School to comply with the requirements applicable to these programs.

Qualified Opinion on Title I and School Improvement Grant major Federal Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Title I and School Improvement Grant major Federal Programs* paragraph, Virtual Schoolhouse complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title I and School Improvement Grant major Federal Programs* for the year ended June 30, 2015.

Other Matters

The School's response to our noncompliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the School's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness**.**

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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-001 to be a material weakness**.**

The School's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the School's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

June 8, 2016

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VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(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?**	Yes
(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**	Qualified for the Title I Grants to Local Educational Agencies and School Improvement Grant
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	CFDA# 84.010 – Title I Grants to Local Educational Agencies CFDA# 84.377 - School Improvement Grant
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2015-001
CFDA Title and Number	CFDA# 84.010 - Title I Grants to Local Educational Agencies CFDA# 84.377 - School Improvement Grant
Federal Award Number / Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Noncompliance and Material Weakness - Procurement and Suspension and Debarment

2 CFR 180.305 states that Non-Federal entities are generally prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

Two instances in the Title I Cluster and one in the School Improvement Grant federal program had payments to a vendor of more than $25,000 and there was no evidence the School checked the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collected a certification from the entity, or added a clause or condition to the covered transaction with the vendor. These weaknesses indicate controls were not in place, at the time the contract was awarded and expenditures were made, to ensure that contractors suspended or debarred did not receive federal program monies.

We recommend that procedures be developed for the above federal programs to ensure that prior to contracting with vendors that will be paid with federal funds they verify the vendor is not suspended or debarred by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2015-001

(Continued)

School's Response

The School recognizes the requirement of not contracting with entities that are listed on the federal suspension and debarred list. VSH never did any business with such entities. We have taken the appropriate steps in our procedure to ensure that we have the documentation to prove that we did our due diligence before contracting with qualifying entities for this requirement.

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VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	Steps have been taken to ensure that we have the documentation to prove that we did our due diligence before contracting with qualifying entities for this requirement.	May 24, 2016	Joseph Kay

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VIRTUAL SCHOOLHOUSE
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE YEAR ENDED JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2014-001	Adjustments to the Federal Schedule were necessary.	Yes	
2014-002	Submitting audit to federal clearinghouse by filing deadline.		Finding no longer valid.

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Dave Yost · Auditor of State

VIRTUAL SCHOOLHOUSE, INC.

CUYAHOGA 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
JUNE 28, 2016