



Dave Yost • Auditor of State

**GREATER OHIO VIRTUAL SCHOOL
WARREN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Greater Ohio Virtual School
Warren County
1879 Deerfield Rd.
Lebanon, Ohio 45036

To the Board of Directors:

We have audited the accompanying basic financial statements of the Greater Ohio Virtual School, Warren County, Ohio (the School), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of Greater Ohio Virtual School, as of June 30, 2012, and the changes in its cash financial position and its cash flows for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

February 11, 2013

**Greater Ohio Virtual School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

The discussion and analysis of the Greater Ohio Virtual School's (the School) financial performance provides an overview and analysis of the School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

Financial Highlights

Key highlights for 2012 are as follows:

- In total, net assets increased by \$142,319, which represents a 4% increase from 2011. This increase is primarily due to an increase in Foundation payments received from the state.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School as a financial whole, an entire operating entity.

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of two components: the financial statements and notes to those financial statements.

The School has elected to present its financial statements on a cash basis of accounting. The basis of accounting is a set of guidelines that determine when financial events are recorded. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of revenues, expenses, and changes in fund net assets reflect how the School did financially during the fiscal year ended June 30, 2012. These statements include all assets using the cash basis of accounting.

These statements report the School's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

**Greater Ohio Virtual School
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

The School uses enterprise presentation for all of its activities.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Financial Analysis

Table 1 provides a summary of the School’s net assets for fiscal year 2012 compared to fiscal year 2011:

Table 1
Net Assets at Year End

<u>Assets:</u>	2012	2011
Current and Other Assets	\$3,479,883	\$3,337,564
<i>Total Assets</i>	<u>3,479,883</u>	<u>3,337,564</u>
<u>Net Assets:</u>		
Restricted	67,400	129,365
Unrestricted	3,412,483	3,208,199
<i>Total Net Assets</i>	<u>\$3,479,883</u>	<u>\$3,337,564</u>

Current and other assets increased from fiscal year 2011 due to an increase in cash and cash equivalents held by the School.

The School’s largest portion of net assets is unrestricted net assets. These net assets represent resources that may be used to meet the School’s ongoing obligations to its students and creditors.

**Greater Ohio Virtual School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Table 2 the changes in net assets for fiscal year 2012 compared to fiscal year 2011:

<i>Revenues:</i>	2012	2011
<i>Operating Revenue:</i>		
Foundation Payments	\$1,922,549	\$1,893,313
Tuition and Fees	1,058	2,927
<i>Nonoperating Revenue:</i>		
Grants	67,400	459,317
Interest Income	9,707	16,499
Proceeds from Sale of Capital Assets	1,722	0
Other	21	494
<i>Total Revenues</i>	<u>2,002,457</u>	<u>2,372,550</u>
 <i>Operating Expenses:</i>		
Salaries	740,143	853,427
Fringe Benefits	182,666	204,664
Purchased Services	631,671	178,066
Materials and Supplies	130,490	88,199
Capital Outlay	77,167	218,700
Other	98,001	50,609
<i>Total Expenses</i>	<u>1,860,138</u>	<u>1,593,665</u>
 <i>Change in Net Assets</i>	 142,319	 778,885
 Net Assets – Beginning of Year	 <u>3,337,564</u>	 <u>2,558,679</u>
 Net Assets – End of Year	 <u><u>\$3,479,883</u></u>	 <u><u>\$3,337,564</u></u>

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

The most significant program expenses for the School are Salaries, Fringe Benefits, Purchased Services, and Materials and Supplies. These programs account for 91% of the total business-type activities expenses.

The majority of the funding for the School is from foundation payments. Foundation receipts accounts for 96% of total revenues.

**Greater Ohio Virtual School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Budget Highlights

The Greater Ohio Virtual School is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, except for Ohio Revised Code Section 5705.391 which requires the School to adopt a five year spending plan.

Capital Assets and Debt Administration

Capital Assets

The School tracks its capital assets on the State EIS system.

Debt Administration

At June 30, 2012, the School had no general obligation debt outstanding.

Current Issues

Management believes that the School is financially stable. As indicated in the preceding financial information, the School is dependent on intergovernmental revenue. Intergovernmental revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning will permit the School to provide a quality education for the students of Warren County.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it received. If you have any questions about this report or need additional information, contact Shaun Bevan, Treasurer of the Greater Ohio Virtual School, 1879 Deerfield Road, Lebanon, Ohio 45036.

Greater Ohio Virtual School
Statement of Net Assets
June 30, 2012

	<u>Greater Ohio Virtual School</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,479,883</u>
Total Assets	<u>3,479,883</u>
Net Assets:	
Restricted for:	
State and Federal Grants	67,400
Unrestricted	<u>3,412,483</u>
Total Net Assets	<u><u>\$3,479,883</u></u>

See accompanying notes to the basic financial statements.

Greater Ohio Virtual School
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

	Greater Ohio Virtual School
Operating Revenues:	
Tuition and Fees	\$1,058
Foundation Payments	1,922,549
Other Revenues	<u>21</u>
Total Operating Revenues	<u>1,923,628</u>
Operating Expenses:	
Salaries	740,143
Fringe Benefits	182,666
Purchased Services	631,671
Materials and Supplies	130,490
Capital Outlay	77,167
Other Expenses	<u>98,001</u>
Total Operating Expenses	<u>1,860,138</u>
Operating Income (Loss)	<u>63,490</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	9,707
Proceeds from Sale of Capital Assets	1,722
State and Federal Grants	<u>67,400</u>
Total Non-Operating Revenues (Expenses)	<u>78,829</u>
Change in Net Assets	142,319
Net Assets Beginning of Year	<u>3,337,564</u>
Net Assets End of Year	<u><u>\$3,479,883</u></u>

See accompanying notes to the basic financial statements.

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 1 - Description of the School and Reporting Entity

Description of the School

The Greater Ohio Virtual School (the “School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is a conversion school, which is considered an extension of the traditional public school. The School qualifies as an “integral part of the public school district,” and is dominated by officials of such school district (i.e. the School must have public officials acting in their capacity as a public official). Hence, the School is exempt from federal income tax filing. The School is a comprehensive educational program for students in grades 9 - 12 who reside within the State of Ohio. The School is established under Ohio Charter School Law and provides a virtual educational program at no cost to the student. The School is operated under the direction of superintendent, John Lazares and is sponsored by the Warren County Educational Service Center. The Warren County Educational Service Center furnishes leadership, consulting services, and fiscal agency services that are designed to strengthen the School in areas they are unable to staff independently. The School is staffed by one administrative, four classified, and 15 certified part-time employees of the Warren County Educational Service Center that are provided to the School through a contractual agreement.

The governing authority is the Greater Ohio Virtual School Board of Directors, which has, as voting members, those persons serving in the following two positions, except that the Warren County Educational Service Center (the Sponsor) may from time to time, at its discretion, substitute other administrative positions for those indicated below:

Assistant Superintendent
Sponsor’s Representative

In addition to the above-described voting members, the Board of Directors shall also include the sponsor’s designated Treasurer as non-voting ex official member of the Board of Directors. The Treasurer shall serve the Board of Directors in his/her capacity as a representative of the Sponsor and Sponsor’s interest.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School consists of all funds, departments, boards, and agencies that are not legally separate from the School. For Greater Ohio Virtual School, this is the general operation.

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget, the issuance of debt, or the levying of taxes. The School has no component units.

Note 2 - Summary of Significant Accounting Policies

The School is associated with the Southwest Ohio Computer Association (SWOCA), a jointly governed organization. Information about SWOCA is presented in Note 9 to the basic financial statements.

As discussed further in Note 3, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the basic financial statements for the enterprise funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 20, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School's accounting policies:

Basis of Presentation

The School's basic financial statements consist of a statement of net assets and a statement of revenues, expenses, and changes in net assets.

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

Measurement Focus

The School uses a cash basis of accounting for reporting purposes. Revenues are recognized when they are received, and expenses are recognized when they are paid.

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Basis of Accounting

The School's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred.

As a result of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed for provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School utilized the basis of accounting recognized as generally accepted, the fund and all government-wide financials would be presented on the accrual basis of accounting

Cash and Cash Equivalents

To improve cash management, cash received by the School is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Following Ohio statutes, the Board of Directors has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2012 amounted to \$9,707.

Capital Assets

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

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the community school's contract with its sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 good or service that is the primary activity of the School. All revenues and expenditures not meeting this definition are reported as non-operating.

Note 3 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School.

Note 4 - Deposits and Investments

State statutes classify monies held by the School into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

Public depositories must give security for all public funds on deposit. Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio.
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited.

The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

At June 30, 2012, the carrying amount of all School deposits was \$3,479,945. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2012, \$3,229,945 of the School's bank balance of \$3,479,945 was exposed to custodial risk as discussed above, while \$250,000 was covered by Federal Deposit Insurance. The remaining \$3,229,945 exposed to custodial risk was collateralized with securities held by the pledging financial institution's trust departments or its agency in the School's name.

Investments

As of June 30, 2012, the School held no investments.

Note 5 - Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, the School contracted with Governmental Underwriters of America for property insurance. Coverages provided are as follows:

Building and Contents (\$1,000 deductible)	\$3,130,587
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists Liability (\$1,000 deductible)	1,000,000
<i>General Liability:</i>	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Fire Damage Limit - Any One Event	500,000
<i>Excess Liability – Umbrella Form</i>	
Each Occurrence	\$5,000,000
Aggregate Limit	5,000,000

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Settled claims have not exceeded this commercial coverage in any of the past two years. There has been no significant change in coverage from last year.

Note 6- Pension Plans

School Employees Retirement System of Ohio

Plan Description

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$20,847, \$23,325, and \$27,087, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

State Teachers Retirement System of Ohio

Plan Description

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

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Plan Options

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

DB Plan Benefits

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

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Combined Plan Benefits

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The School's contributions to STRS for the years ended June 30, 2012, 2011, and 2010 were \$82,602, \$90,579, and \$57,265, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 7 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .76%. School contributions for the year ended June 30, 2012, 2011 and 2010 were \$1,132, \$1,266 and \$1,470, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2012, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$2,129, \$2,382, and \$2,767, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

**Greater Ohio Virtual School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2012, 2011 and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The School contributions for the years ended June 30, 2012, 2011, and 2010 were \$5,900, \$6,470, and \$4,090, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

Note 8 - Jointly Governed Organizations

Southwest Ohio Computer Association

The School is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and community schools within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The School paid SWOCA \$12,044 for services provided during the year. Financial information can be obtained from the fiscal agent, Butler Tech, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Note 9 – Contingencies

Student Attendance Data Review

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms of conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2012.



Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greater Ohio Virtual School, Warren County, Ohio (the School), as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 11, 2013, wherein we noted the School uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Schools financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

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

We intend this report solely for the information and use of management, Board of Directors, the Community School's sponsor, and others within the School. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

February 11, 2013

GREATER OHIO VIRTUAL SCHOOL
WARREN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

FINDING NUMBER 2012-01

Noncompliance

Ohio Revised Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Also, at the time the report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing School. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Admin. Code, Section 117-2-03(B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles.

The School prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School. As such we recommend the School prepare its annual financial report in accordance with generally accepted accounting principles.

In addition, the School failed to provide notice in a local newspaper that the financial report was available for public inspection. We recommend the annual report be publicized in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

Officials' Response:

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

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GREATER OHIO VIRTUAL SCHOOL
WARREN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	ORC § 117.38 – Financial statements not in accordance with GAAP	No	Reissued as 2012-01

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Dave Yost • Auditor of State

GREATER OHIO VIRTUAL SCHOOL

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 5, 2013**