



Mary Taylor, CPA
Auditor of State

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying basic financial statements of the Ohio Virtual Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the management company's expenses which totaled \$20,433,498 as indicated in Note 15. Other auditors audited these amounts and have furnished their report thereon to us and we based our opinion, insofar as it relates to the amounts included for Note 15, on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Virtual Academy, Lucas County, Ohio, as of June 30, 2008, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

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

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

Mary Taylor, CPA
Auditor of State

March 17, 2009

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Ohio Virtual Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- Total net assets decreased \$9,866 in 2008.
- Due to increased enrollment, total revenue increased from \$22,404,111 in fiscal year 2007 to \$32,081,931 in fiscal year 2008.
- Similarly, total program expenses increased from \$22,779,457 in fiscal year 2007 to \$32,091,797 in fiscal year 2008.
- Current liabilities decreased \$112,839 with current assets decreasing \$89,448 in 2008.
- The Academy does not have any long term debt.

Using this Financial Report

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

Reporting the Academy as a Whole

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

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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

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

Table 1 provides a summary of the Academy's net assets for fiscal year 2008 and fiscal year 2007:

Table 1
Net Assets

	2008	2007
Assets:		
Cash and Other Current Assets	\$ 1,376,783	\$ 1,466,231
Capital Assets, Net	15,000	24,866
<i>Total Assets</i>	<u>1,391,783</u>	<u>1,491,097</u>
Liabilities:		
Current Liabilities	1,062,141	1,174,980
Non-Current Liabilities	64,642	41,251
<i>Total Liabilities</i>	<u>1,126,783</u>	<u>1,216,231</u>
Net Assets:		
Invested in Capital Assets	15,000	24,866
Restricted	325,946	156,525
Unrestricted	(75,946)	93,475
<i>Total Net Assets</i>	<u>\$ 265,000</u>	<u>\$ 274,866</u>

Total net assets decreased by \$9,866, which equals the change in nets assets invested in capital assets. The increase in restricted net assets of \$169,421 is related to the increase in grant carryover from fiscal year 2007 to 2008. Federal Title I grant carryover increased by \$229,808 due to additional and reallocated funds received mid-year that were unspent at year-end. Title VI-B carryover decreased from \$60,359 in 2007 to \$0 in 2008.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Cash and other current assets decreased by \$89,448 from \$1,466,231 in 2007 to \$1,376,783 in 2008. This primarily relates to a decrease in cash of \$216,153 net of an increase in accounts receivable of \$74,938 and intergovernmental receivables of \$60,896. In addition, current liabilities decreased by \$112,839. This decrease is primarily made up of a decrease in accounts payable of \$394,318 and an increase in accrued wages and benefits of \$194,563.

The decrease in cash is directly related to the increase in receivables plus the decrease in liabilities. The increase in accounts receivable is due to the timing of a local grant receipt. The increase in intergovernmental receivables is primarily related to the year over year increase in Federal grant carryover of \$169,421 net of the \$102,973 State Foundation adjustment for fiscal year 2007. The decrease in accounts payable is related to the timing of payments and credits for our on-line curriculum, educational materials and management fee. Accrued wages increased at year-end as a result of an increase in staff year over year. In addition, accrued wages were impacted by the timing of a health care benefit payment which was paid after year-end in fiscal year 2008.

In addition, Capital Assets, Net decreased by \$9,866 from 2007 to 2008. The decrease resulted from capitalized purchases totaling \$5,601 less depreciation expense of \$15,467.

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007, as well as a listing of revenues and expenses:

Table 2
Changes in Net Assets

	2008	2007
Operating Revenue		
Foundation	\$ 28,010,201	\$ 19,622,212
Special Education	1,808,878	1,091,115
Other Operating Revenue	45,027	111,572
Non-Operating Revenue		
Grants and Program Initiatives	2,217,825	1,579,212
<i>Total Revenue</i>	<u>32,081,931</u>	<u>22,404,111</u>
Operating Expenses		
Salaries	5,591,374	3,953,575
Fringe Benefits	1,735,440	1,297,999
Purchased Services	19,001,121	13,653,961
Materials and Supplies	4,858,966	3,249,285
Depreciation	15,467	46,112
Other Operating Expenses	889,429	578,525
<i>Total Expenses</i>	<u>32,091,797</u>	<u>22,779,457</u>
<i>Total Decrease in Net Assets</i>	<u>\$ (9,866)</u>	<u>\$ (375,346)</u>

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

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Total revenue and total expenses for the Academy increased 43% and 41% respectively from fiscal year 2007 to fiscal year 2008. The increase in foundation revenue is a direct result of the growth in enrollment of 40%. Ending enrollment (based on FTE) for 2007 was 3,741 compared to 5,240 in fiscal year 2008. Special Education revenue is weighted based on the category of disability of the Special Education students enrolled in the Academy. The increase of more than 65% in Special Education revenue is due to both the enrollment growth and the disabilities of the students enrolled in the Academy.

Non-operating revenue increased by \$638,613 year over year. Federal grant revenue increased by \$637,834 due mainly to increased awards for Title I and Title VI-B which are directly related to the growth in enrollment for the Academy.

Overall, the increase of \$9,312,340 in total expenses for the Academy is related to the growth in enrollment.

Capital Assets

At the end of fiscal year 2008, the Academy had \$15,000 net of depreciation invested in furniture and equipment. Most of this equipment is computers and related items.

Current Financial Related Activities

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

Contacting the Academy's Financial Management

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

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets

Current Assets

Cash and Cash Equivalents	\$	754,148
Prepaid Assets		3,011
Accounts Receivable		75,561
Intergovernmental Receivable		544,063
		544,063

<i>Total Current Assets</i>		1,376,783
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Non-Current Assets

Capital Assets:

Depreciable Capital Assets, Net		15,000
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<i>Total Assets</i>		1,391,783
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Liabilities

Current Liabilities

Accounts Payable		314,279
Accrued Wages and Benefits		526,245
Intergovernmental Payable		221,617
		221,617

<i>Total Current Liabilities</i>		1,062,141
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Non-Current Liabilities

Due Within One Year		64,642
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<i>Total Liabilities</i>		1,126,783
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Net Assets

Invested in Capital Assets		15,000
Restricted for Grants		325,946
Unrestricted		(75,946)
		(75,946)

<i>Total Net Assets</i>		\$ 265,000
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues	
Foundation Payments	\$ 28,010,201
Special Education	1,808,878
Other Revenues	<u>45,027</u>
<i>Total Operating Revenues</i>	<u>29,864,106</u>
Operating Expenses	
Salaries	5,591,374
Fringe Benefits	1,735,440
Purchased Services	19,001,121
Materials and Supplies	4,858,966
Depreciation	15,467
Other	<u>889,429</u>
<i>Total Operating Expenses</i>	<u>32,091,797</u>
<i>Operating Loss</i>	<u>(2,227,691)</u>
Non-Operating Revenues	
Grants Received – Federal	2,122,712
Grants Received – State and Local	<u>95,113</u>
<i>Total Non-Operating Revenues</i>	<u>2,217,825</u>
<i>Change in Net Assets</i>	(9,866)
Net Assets Beginning of Year	<u>274,866</u>
<i>Net Assets End of Year</i>	<u><u>\$ 265,000</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Special Education	\$ 1,808,878
Cash Received from Others	45,019
Cash Received from Foundation Payments	28,134,621
Cash Payments to Suppliers for Goods and Services	(24,322,283)
Cash Payments to Employees for Services	(5,451,424)
Cash Payments for Employee Benefits	(1,597,481)
Cash Payments to Others	<u>(807,357)</u>

Net Cash Used for Operating Activities (2,190,027)

Cash Flows from Noncapital Financing Activities

Grants Received – Federal	1,959,362
Grants Received – State and Local	<u>20,113</u>

Net Cash Provided by Noncapital Financing Activities 1,979,475

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(5,601)</u>
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Net Decrease in Cash and Cash Equivalents (216,153)
Cash and Cash Equivalents at Beginning of Year 970,301

Cash and Cash Equivalents at End of Year \$ 754,148

(Continued)

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

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

Operating Loss	\$ (2,227,691)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	15,467
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	62
Decrease in Prepaid Items	9,129
Decrease in Intergovernmental Receivable	102,296
(Decrease) in Accounts Payable	(394,318)
Increase in Accrued Wages and Benefits	194,563
Increase in Intergovernmental Payable	87,074
Increase in Compensated Absences	<u>23,391</u>
<i>Total Adjustments</i>	<u>37,664</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (2,190,027)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

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

The Academy operates under the direction of a five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board oversees the Academy's instructional/support facility staffed by 18 administrative and 161 certificated teaching and other personnel who provide services to approximately 5,240 students.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

C. Budgetary Process

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

D. Cash and Cash Equivalents

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

E. Capital Assets and Depreciation

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

F. Intergovernmental Revenues

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

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

The Academy also participates in various state and federal operating grants. Grants awarded in 2008 included the following: Title VI-B for \$774,681, Title I \$1,230,570, Title IIA \$64,272, Title IID \$12,489, Title V \$9,426, Title IV \$31,274, School Net Professional Development \$2,430 and EMIS for \$17,683. The Academy also received a \$75,000 local grant in 2008.

Amounts awarded under the above named programs for the 2008 year totaled \$32,036,904.

G. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2008 including: accounts and intergovernmental payables.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time as of June 30. A non-current liability in the amount of \$64,642 for compensated absences is reflected on the Statement of Net Assets as of June 30, 2008.

I. Net Assets

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

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

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS

At fiscal year end June 30, 2008, the carrying amount of the Academy's deposits totaled \$754,148 and its bank balance was \$1,320,513. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure", as of June 30, 2008, \$1,220,513 of the bank balance was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

4. RECEIVABLES

Receivables at June 30, 2008, mostly consisted of federal grant revenue receivables which are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds. Receivables are listed as follows:

<u>Program/Vendor</u>	<u>Amount</u>
Title I	439,179
Title II-A	41,610
Title II-D	1,371
Title IV	2,548
Title V	3,576
Title VI - Part B	54,038
SERS	1,741
<i>Total Intergovernmental Receivable</i>	<u>544,063</u>
Ohio Council of Community Schools	75,000
Other	561
<i>Total Receivables</i>	<u><u>\$ 619,624</u></u>

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Furniture, Fixtures & Equipment	\$189,503	\$ 5,601	(\$70,323)	\$ 124,781
Less: Accumulated Depreciation	(164,637)	(15,467)	\$70,323	(109,781)
Capital Assets, Net	<u>\$ 24,866</u>	<u>(\$ 9,866)</u>		<u>\$ 15,000</u>

6. INSTRUCTION

Approximately 67 percent of operating expenditures are used to provide direct instruction to students. Costs by various categories are as follows:

Service Type	Total
Teacher Salaries, Benefits and Expenses	\$ 8,097,931
Web Based Software-Curriculum	8,432,709
Instructional Materials Expense	4,606,023
Special Education Services	503,429
<i>Total</i>	<u>\$ 21,640,092</u>

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2008, the Academy obtained insurance through broker Brooks Insurance with the following insurance coverage:

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

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. RISK MANAGEMENT – (Continued)

B. Workers' Compensation

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

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

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

8. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$119,687, \$131,230 and \$107,505 respectively; 98.9 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. DEFINED BENEFIT PENSION PLANS – (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$557,017, \$490,815, and \$421,966 respectively; 100 percent has been contributed for fiscal year 2008, 2007 and 2006.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$5,762.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$54,617, \$40,794, and \$34,751 respectively; 98.9 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$8,624 \$8,355, and \$7,926 respectively; 98.9 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POSTEMPLOYMENT BENEFITS – (Continued)

Funding Policy – Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$42,847, \$37,755, and \$32,459 respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

10. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure that schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review resulted in an overpayment to the Academy in the amount of \$21,447. This amount is reflected as an intergovernmental payable and is deducted from State foundation revenue.

11. OPERATING LEASES

The Academy leases an office facility under an operating lease. The terms of this lease end July 15, 2010. Total lease payments were \$89,245 for the year ended June 30, 2008. The future minimum lease payments, excluding taxes and Common Area Operating Expenses, for this lease are as follows:

Fiscal Year Ending June 30,	Total
2009	\$ 89,245
2010	89,245
2011	3,599
<i>Total minimum lease payments</i>	\$ 182,089

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. PURCHASED SERVICE EXPENSES

For the fiscal year ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors, as follows:

<u>Service Type</u>	<u>Total</u>
Professional/Technical Services	\$ 15,659,072
Property Services	2,591,472
Travel	424,949
Communications	278,764
Utilities	15,893
Contracted Trade Service	30,763
Other Purchased Services	208
<i>Total</i>	<u>\$ 19,001,121</u>

13. TAX EXEMPT STATUS

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

14. MANAGEMENT AGREEMENT

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

A. Administrative services:

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

B. Technology services:

- Integrate technology and data systems with Academy's curriculum
- Monitor and analyze data, as necessary
- Report on pupils academic performance
- Seek and secure competitive pricing and discounts for Academy, as available
- Provide training to staff, parents, students as deemed necessary
- Develop, design, publish and maintain the Academy's interactive website

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. MANAGEMENT AGREEMENT – (Continued)

- Supervise installation of Academy's internal computer and telephone network
- Negotiate contracts with computer, printer, student information system, software and office set-up vendors
- Determine hardware configurations for the Academy's technology needs
- Support administrators in troubleshooting system errors

C. Educational services:

- Curriculum
- Instructional tools
- Additional educational services

As of June 30, 2008, payments to K12 Inc. totaled \$21,500,718 with \$253,969 still outstanding for all services. The breakdown is as follows:

<u>Service Type</u>	<u>Total</u>
Management Fee	\$ 3,491,695
Web Based Software-Curriculum	8,758,080
Instructional Materials Usage	4,571,473
Teacher Instructional Materials	105,160
Technology Services Fee	2,234,608
Student Computers-Lease	<u>2,339,702</u>
<i>Total</i>	<u><u>\$ 21,500,718</u></u>

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. K12 Inc. Management Company Disclosure

For the fiscal year ended June 30, 2008, K12 Inc. incurred the following expenses:

Direct Expenses	
Salaries and wages	\$ 4,006,893
Books, periodicals, and films	2,253,468
Professional and technical services	2,083,436
Other purchased services	1,850,863
Depreciation	1,624,974
Contracted craft or trade services	1,549,102
Employee benefits	1,177,851
Miscellaneous	460,473
Travel	207,221
Interest	172,329
Communications	118,079
Property services	4,752
Dues and fees	2,465
Other supplies	1,670
	<hr/>
	15,513,576
Overhead	<hr/>
	4,919,922
	<hr/>
	\$ 20,433,498
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16. SPONSOR

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of ten academic years commencing on July 1, 2007. As part of this contract, the Sponsor is paid an oversight fee which is 1.5 percent of the total State Foundation funds received during the year. The total amount paid to the Sponsor for fiscal year 2008 was \$448,638.

17. RESERVE FUND

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

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

17. RESERVE FUND – (Continued)

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

At the end of fiscal year 2008, K12 issued \$357,398 in Service Credits. Service Credits of \$111,231 were issued in 2007. They are reflected on the financials as part of accounts payable owed K12 Inc.

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	\$ 986,256	\$ 984,205
Special Education Grants to States	84.027	885,568	833,724
Early Childhood Special Education Grants to States	84.173	(158)	
Safe and Drug-Free Schools and Communities State Grant	84.186	18,277	18,539
Innovative Education Program Strategies	84.298	15,428	9,701
Technology Literacy Challenge Fund Grants	84.318	17,083	14,583
Improving Teacher Quality State Grants	84.367	<u>36,908</u>	<u>72,630</u>
<i>Total U.S. Department of Education</i>		<u>\$ 1,959,362</u>	<u>\$ 1,933,382</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

We have audited the basic financial statements of Ohio Virtual Academy, Lucas County, (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 17, 2009, which indicated that the amounts presented in Note 15 were audited by other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Mary Taylor, CPA
Auditor of State

March 17, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

Compliance

We have audited the compliance of Ohio Virtual Academy, Lucas County (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Ohio Virtual Academy complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

March 17, 2009

**OHIO VIRTUAL ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States (CFDA # 84.027)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

OHIO VIRTUAL ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 16, 2009