

**VIRTUAL COMMUNITY SCHOOL  
(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)  
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 2011**

**SHANE ALLEN, TREASURER**





# Dave Yost • Auditor of State

Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

We have reviewed the *Independent Accountants' Report* of the Virtual Community School of Ohio, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Virtual Community School of Ohio is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 29, 2011

**This page intentionally left blank.**

VIRTUAL COMMUNITY SCHOOL OF OHIO  
(A Component Unit of Reynoldsburg City School District)  
FRANKLIN COUNTY, OHIO

**TABLE OF CONTENTS**

Independent Accountant's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets- Cash Basis	7
Statement of Receipts, Disbursements and Changes in Net Assets- Cash Basis	8
Notes to the Basic Financial Statements	9
Schedule of Federal Awards Receipts and Expenditures	21
Notes to the Schedule of Federal Awards Receipts and Expenditures	22
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other matters required by <i>Government Auditing Standards</i>	24
Independent Accountants' Report On Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance Required by OMB Circular A-133	26
Schedule of Findings and Questioned Costs	28
Summary Schedule of Prior Audit Findings	36
Independent Accountant's Report on Applying Agreed upon Procedures	37

**This page intentionally left blank.**

## INDEPENDENT ACCOUNTANTS' REPORT

Members of the Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

To the Board of Directors:

We have audited the accompanying basic financial statements of the Virtual Community School of Ohio, Franklin County, Ohio (the School), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express 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 modified cash accounting basis. This is a comprehensive basis of accounting 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 modified cash financial position of the Virtual Community School, as of June 30, 2011, and the respective changes in modified cash basis financial position for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011, 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 did not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
November 9, 2011



**Virtual Community School of Ohio**  
**(A Component Unit of Reynoldsburg School District)**  
**Franklin County**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011  
(Unaudited)

---

This management's discussion and analysis of the Virtual Community School of Ohio's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2011. 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**

- Net Assets of the School were \$369,285 at fiscal year-end, a decrease of \$492,943 in comparison with the prior year.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of receipts, disbursements, and changes in net assets provide information about the School as a whole.

The management's 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 the notes to the financial statements.

The statement of net assets and the statement of receipts, disbursements, and changes in net assets reflect how the School did financially during the fiscal year. The change in net assets is important because it tells the reader whether the cash position of the School has increased or decreased during the period.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School has elected to present its financial statements using the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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.

**Virtual Community School of Ohio**  
**(A Component Unit of Reynoldsburg School District)**  
**Franklin County**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011  
(Unaudited)

---

**Financial Analysis**

Table 1 provides a summary of the School's net assets for 2011:

**Table 1**  
**Net Assets at Year End**

	<u>2011</u>	<u>As Restated 2010</u>
Assets:		
Cash and Cash Equivalents	\$ 369,285	\$ 862,228
Total Assets	<u>369,285</u>	<u>862,228</u>
Net Assets:		
Restricted:		
Locally Funded Programs	5,015	5,017
State Funded Programs	27	1,227
Federally Funded Programs	56,804	46,836
Unrestricted	<u>307,439</u>	<u>809,148</u>
Total Net Assets	<u>\$ 369,285</u>	<u>\$ 862,228</u>

In fiscal year 2010, the School prepared its basic financial statements in accordance with accounting principles generally accepted in the United States of America. However, in fiscal year 2011 the School decided to prepare the financial statements on the cash basis of accounting. The fiscal year 2010 amounts for tables 1 and 2 have been restated to reflect the change in the basis of accounting.

**Virtual Community School of Ohio**  
**(A Component Unit of Reynoldsburg School District)**  
**Franklin County**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011  
(Unaudited)

**Financial Analysis**

Table 2 provides a summary of the School's change in net assets for 2011:

**Table 2**  
**Changes in Net Assets**

	2011	As Restated 2010
<b>Operating Receipts:</b>		
Foundation Receipts	\$ 8,945,599	\$ 9,520,964
Tuition and Fees	293,819	176,563
Miscellaneous Receipts	69	-
Total Operating Receipts	9,239,487	9,697,527
<b>Operating Disbursements:</b>		
Salaries and Wages	4,159,249	4,143,268
Fringe Benefits	1,440,507	1,277,731
Purchased Services	5,695,505	5,616,188
Supplies and Materials	728,741	821,586
Capital Outlay	400,465	464,374
Other	130,226	314,110
Total Operating Disbursements	12,554,693	12,637,257
Operating Income (Loss)	(3,315,206)	(2,939,730)
<b>Nonoperating Receipts</b>		
Federal and State Grants	2,819,040	2,743,397
Interest Income	2,190	3,483
Other Non-Operating Receipts	1,033	130
Total Nonoperating Receipts	2,822,263	2,747,010
Change in Net Assets	(492,943)	(192,720)
Net Assets, Beginning of Year, As Restated	862,228	1,054,948
Net Assets, End of the Year	\$ 369,285	\$ 862,228

**Virtual Community School of Ohio**  
**(A Component Unit of Reynoldsburg School District)**  
**Franklin County**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011  
(Unaudited)

---

The decreases in Foundation Receipts and Operating Disbursements are the result of the School's 5.6% decrease in enrollment from fiscal year 2010 to fiscal year 2011.

The School received additional federal grant receipts during fiscal year 2011 as a result of the addition of the Race to the Top Grant.

### **Budget Highlights**

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the 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.

### **Current Financial Issues**

The School depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding or operations of the School in future fiscal years due to the State's current economic environment. The School is expected to maintain growth in both the number of students, as well as the number of support staff, which will impact the School's funding since the School receives the majority of its finances from state aid. During the period July 1, 2010 to June 30, 2011, there were approximately 1,339 students enrolled in the School. The School receives its finances mostly from state aid. Per pupil aid for this period amounted to \$5,703 per student.

### **Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Shane Allen, Treasurer, Virtual Community School of Ohio, 4480 Refugee Road, Columbus, Ohio 43232.

**VIRTUAL COMMUNITY SCHOOL  
(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
AS OF JUNE 30, 2011**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 369,285
Total Assets	<u>369,285</u>
 <b>Net Assets</b>	
Restricted for:	
Locally Funded Programs	5,015
State Funded Programs	27
Federally Funded Programs	56,804
Unrestricted	307,439
Total Net Assets	<u><u>\$ 369,285</u></u>

See accompanying notes to the basic financial statements.

**VIRTUAL COMMUNITY SCHOOL  
(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)  
FRANKLIN COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN NET ASSETS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Operating Receipts:</b>	
State Foundation	\$ 8,945,599
Tuition and Fees	293,819
Other	69
Total Operating Receipts	<u>9,239,487</u>
<b>Operating Disbursements:</b>	
Salaries and Wages	4,159,249
Fringe Benefits	1,440,507
Purchased Services	5,695,505
Materials and Supplies	728,741
Other	130,226
Capital Outlay	400,465
Total Operating Disbursements	<u>12,554,693</u>
Operating Loss	<u>(3,315,206)</u>
<b>Non-Operating Receipts:</b>	
Federal and State Grants	2,819,040
Interest Income	2,190
Sale of Capital Assets	1,033
Total Non-Operating Receipts	<u>2,822,263</u>
Change in Net Assets	(492,943)
Net Assets at Beginning of Year, As Restated	862,228
Net Assets at End of Year	<u>\$ 369,285</u>

See accompanying notes to the basic financial statements.

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 1 – Description of the School and Reporting Entity**

The Virtual Community School of Ohio, Franklin County, Ohio (the “School”) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. The School was established to maintain and provide a School exclusively for any educational, literary, scientific and related teaching service. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School’s tax exempt status. The School’s objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from the School for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The School, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School is considered a component unit of the Reynoldsburg City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”.

The School was approved for operation under a contract with the Reynoldsburg City School District (the “Sponsor”) for a period of five academic years commencing after July 1, 2006. The contract was renewed with the Sponsor for another five years starting July 1, 2011 through June 30, 2016. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School is designed to operate under the direction of a self-appointed five-member Board of Directors (the “Board”). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the School’s one instructional/support facility staffed by 32 non-certified staff members and 79 certified full time teaching personnel who provide services to 1,339 students.

The School contracts with eSchool Consultants, LLC for a variety of consulting services including personnel and human resources, the program of instruction, purchasing strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, equipment and facilities.

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles 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. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided 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.

**A. Basis of Presentation**

The School's basic financial statements consist of a statement of net assets; and a statement of receipts, disbursements, and changes in net assets. These statements are prepared on the cash basis of accounting as further described in Note 2 B.

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.

**B. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. 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 a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (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.

**C. 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 Rev. Code Chapter 5705, unless specifically provided by the 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.



**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**D. Cash and Cash Equivalents**

All monies received by the School are deposited in a demand deposit account.

For purposes of the presentation on the statement of net assets, investments with maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with maturities greater than three months at the time they are purchased are reported as investments.

**E. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. The School had no restricted assets at fiscal year-end.

**F. Prepaid Items**

The School reports disbursements for prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Inventory**

The School reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. These items are not reflected as liabilities in the accompanying financial statements.

**J. Accrued Liabilities and Long-Term Obligations**

The School's cash basis financial statements do not report liabilities for accrued liabilities and long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**K. Net Assets**

Net assets represent the difference between assets and liabilities. 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's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Operating Receipts and Disbursements**

Operating receipts are those revenues that are generated directly from the primary activity of the School. Operating disbursements are necessary costs incurred to provide the goods or services that are the primary activities of the School. All receipts and disbursements not meeting this definition are reported as non-operating.

**Note 3 – Change in Basis of Accounting and Restatement of Net Assets**

**A. Change in Basis of Accounting**

For fiscal year 2011, the School ceased to report using accounting principles generally accepted in the United States of America and reported on the cash basis as described in Note 2B.

**B. Restatement of Net Assets**

The implementation of this change had the following effects on net assets of the School as they were previously reported.

Net Assets June 30, 2010	\$	132,029
Eliminate Receivables		(295,895)
Eliminate Capital Assets		(372,926)
Eliminate Current Payables		1,373,039
Eliminate Long-Term Payables		25,981
Adjusted Net Assets July 1, 2010	\$	<u>862,228</u>

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 4 – Deposits and Investments**

At fiscal year-end the carrying amount of the School's deposits was \$369,285 and the bank balance was \$725,710, including \$35,081 on deposit in a Paypal account. Of the School's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. 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 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. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**Note 5 – Purchased Services**

For fiscal year ended June 30, 2011, purchased services expenses were as follows:

Instruction Services	\$ 1,552,914
Health Services	175,819
Staff Services	72,117
Management Services	429,125
Data Processing Services	218,869
Other Professional & Technical	1,875,153
Repairs & Maintenance Service	258,610
Rentals	228,180
Travel and Meeting	108,880
Utilities	128,192
Mail/Messenger Service	297,137
Advertising	247,006
Contracted Food Services	45,371
Other Purchased Services	58,132
Total Purchased Services	<u>\$ 5,695,505</u>

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 6 – Operating Lease-Office Space**

The School entered into two lease contracts with eSchool Consultants, LLC, which commenced on July 1, 2008. These agreements are for office space at 4480 Refugee Road, Columbus, Ohio. This office space is made up of 4,513 square feet on the north side of the building and 7,352 square feet on the south side of the building. Lease payments for the north side space were \$4,325 per month from July 2010 through June 2011. Lease payments for the south side space were \$7,046 per month from July 2010 through June 2011.

Lease payments for these offices totaled \$130,762 during fiscal year 2011. Over the term of the leases there are scheduled rent increases, but no scheduled rent holidays, and the leases are renewable by either party at expiration. The future minimum lease payments are noted in the following table.

Fiscal Year Ending	Suites
<u>June 30,</u>	<u>North, South</u>
2012	\$ 142,380
2013	148,312
Total	<u>\$ 290,692</u>

**Note 7 – Risk Management**

**Property and Liability**

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains insurance coverage for rental/theft, general liability, contents liability. The general liability coverage is in the amount of \$2,000,000 aggregate.

The School has coverage for computer equipment in the amount of \$435,000, per occurrence.

Settled claims have not exceeded these commercial coverage's in any of the past 3 years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2010.

The School does not own real estate, but leases facilities located at 4480 Refugee Road, Columbus, Ohio 43232.

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 8 – Consulting Contract**

The School entered into a consulting contract with eSchool Consultants, LLC, an Ohio Corporation on March 28, 2002 for fifty-one months. This contract was renewed on June 22, 2005 and runs from July 1, 2005 to June 30, 2011. Contract provisions requires eSchool Consultants to design, develop, implement curriculum and instruction programs, recruitment programs, marketing and public relations programs, exemplary interactive computer requirements, staff requirement program, comprehensive grant-seeking programs, a continuous improvement plan and to facilitate the computer/technology lease/purchase agreements. Under the agreement, eSchool consultants shall bill the School for services rendered. All billings are due within 30 days.

For fiscal year 2011, the School paid eSchool Consultants \$4,593,734, for support and services rendered under the contractual agreement during fiscal year 2011.

**Note 9 – Sponsorship Agreement with Reynoldsburg City School District**

The School has entered into a sponsorship agreement with Reynoldsburg City School District, its Sponsor, whereby, the Sponsor shall receive compensation for services provided to School. As part of this agreement, the School shall compensate the Sponsor two percent (2%) of the per-pupil allocation (foundation) paid to the School by the State of Ohio. For this fee, the Sponsor shall provide the School Treasurer with fiscal oversight and administrative support related to the following:

- A. Support to ensure that the financial records of the School are maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State.
- B. Compliance with the policies and procedures regarding internal financial control of the School.
- C. Compliance with the requirement and procedures for financial audits by the Auditor of State.

During fiscal year 2011, the School paid the Sponsor \$287,764 under this agreement.

**Note 10 – Pension Plans**

**A. School Employees Retirement System**

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 10 – Pension Plans (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School's rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.8 percent and 2.19 percent of annual covered salary was the portion used to fund pension obligations and death benefits and Health Care and Medicare B funds, respectively. 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 School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$167,104, \$97,849 and \$134,442, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**B. 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 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](http://www.strsoh.org).

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.

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 10 – Pension Plans (Continued)**

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

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$356,761, \$438,723 and \$423,255, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The School's liability is 6.2 percent of wages paid.

**Note 11 – Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. 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 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 11 – Postemployment Benefits (Continued)**

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$41,293, \$22,411 and \$83,215, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$10,754, \$5,819 and \$11,093, respectively; 100 percent has been contributed for fiscal year 2011, 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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](http://www.strsoh.org) or by calling (888) 227-7877.

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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$27,443, \$33,748 and \$32,558, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.



**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 12 – Other Employee Benefits**

**A. Medical, Life, Dental and Vision Insurance Benefits**

The School provides medical benefits through United HealthCare. Dental and life benefits are through MetLife and vision through Vision Service Plan (VSP). The School offers individual and family health plans. The Board pays 100% of the premium amounts on individual and picks-up 90% of the premium difference between individual and group policies.

Employees who qualify for individual group benefits are offered an option of compensation of \$125 per month and those who qualify for family group benefits are offered an option of compensation of \$225 per month if they choose to decline the group medical coverage offered.

**B. Compensated Absences**

Employees accumulate sick leave at a rate of 1.25 days per month. Unused sick leave may accumulate up to 240 days. Accumulated sick leave earned from other governments can be carried over by certifying the unused sick leave balance to the Treasurer. New employees are credited five sick days in advance which is part of the 15 days that can be accumulated for the year.

Vacation is earned by twelve month employees at the rate indicated in their respective employment contracts.

Employees are allowed three personal days per School year. Unused personal leave within a given year is converted to sick leave.

**Note 13 – Related Party Transactions**

Mr. James McCord was appointed Superintendent of the School during the fiscal year 2007. Mr. McCord was previously a Board Member of the School. Mr. McCord's wife, Judy McCord, had a contract salary of \$28,500 to provide consultant services and supervision of the EMIS database and be an Assistant to the Treasurer. Judy McCord was paid \$28,500 for her services in fiscal year 2011. Mr. McCord's brother, Ed McCord, is the director of the 21<sup>st</sup> Century grant program. Ed McCord had a contract salary of \$86,369 and was paid \$86,369 during fiscal year 2011.

**Virtual Community School**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**Note 14 – Contingencies**

**A. Grants**

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

**B. State Foundation Funding**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Schools. These reviews are conducted to ensure the Schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. The ODE estimates a total overpayment during fiscal year 2004 was \$2,209,591, which has been repaid by the School by reducing the foundation payments they have received since. The total amount was paid off during fiscal year 2011. Payments totaled \$94,977 during the fiscal year.

In addition, as a result of the review after fiscal year 2010, the School owed \$22,353 to the Ohio Department of Education, which was repaid by the School during fiscal year 2011.

**C. Litigation**

The School is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY, OHIO

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

Federal grantor/Pass through grantor/Program title	Federal CFDA Grant Number	Year	Receipts	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Pass-through Ohio Department of Education:</i>				
<b>Title I Cluster</b>				
School Improvement, Sub A Title I	84.010	2010	13,442	4,822
School Improvement, Sub A Title I	84.010	2011	11,270	11,692
Title I Grants to Local Education Agencies	84.010	2010	77,805	59,770
Title I Grants to Local Education Agencies	84.010	2011	694,100	662,393
ARRA- Title I Grants to Local Education Agencies	84.389	2010	(19,135)	30,318
ARRA- Title I Grants to Local Education Agencies	84.389	2011	339,814	334,373
<b>Total Title I Cluster</b>			<b>1,117,296</b>	<b>1,103,368</b>
<b>Special Education Cluster</b>				
Special Education-Grants to States	84.027	2010	7,939	16,172
Special Education-Grants to States	84.027	2011	391,226	384,959
ARRA- Special Education-Grants to States	84.391	2010	35,713	28,737
ARRA- Special Education-Grants to States	84.391	2011	129,344	128,028
<b>Total Special Education Cluster</b>			<b>564,222</b>	<b>557,896</b>
Safe and Drug Free Schools and Communities	84.186	2010	(454)	699
Safe and Drug Free Schools and Communities	84.186	2011	3,775	4,178
<b>Total Safe and Drug Free Schools and Communities</b>			<b>3,321</b>	<b>4,877</b>
Twenty-First Century Community Learning Center	84.287	2010	21,717	24,900
Twenty-First Century Community Learning Center	84.287	2011	269,623	258,333
<b>Total Twenty-First Century Community Learning Center</b>			<b>291,340</b>	<b>283,233</b>
Title II-D Technology Fund	84.318	2010	(1,047)	-
Title II-D Technology Fund	84.318	2011	4,252	3,625
Title II-D Interactive Distance Learning	84.318	2010	(5,000)	-
Title II-D Interactive Distance Learning	84.318	2011	5,000	13,114
<b>Total Title II-D Technology Fund</b>			<b>3,205</b>	<b>16,739</b>
Title II-A - Improving Teacher Quality	84.367	2010	(3,778)	-
Title II-A - Improving Teacher Quality	84.367	2011	43,807	43,022
<b>Total Title II-A Improving Teacher Quality</b>			<b>40,029</b>	<b>43,022</b>
ARRA- State Fiscal Stabilization Fund	84.394	2011	761,447	761,447
<b>Total ARRA- State Fiscal Stabilization Fund</b>			<b>761,447</b>	<b>761,447</b>
Race to the Top	84.395	2011	31,172	31,172
<b>Total Race to the Top</b>			<b>31,172</b>	<b>31,172</b>
Total U.S. Department of Education			2,812,032	2,801,754
<b>Totals</b>			<b>\$ 2,812,032</b>	<b>\$ 2,801,754</b>

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

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – MATCHING REQUIREMENTS**

Certain federal programs require the School contribute non-Federal funds (matching funds) to support Federally-funded programs. The School has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C – TRANSFERS**

The School generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE's approval, a School can transfer unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2011, the Ohio Department of Education (ODE) authorized the following transfers:

<u>Program title</u>	<u>Federal CFDA Number</u>	<u>Grant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Title I Grants to Local Education Agencies	84.010	2010	\$65,268	-
Title I Grants to Local Education Agencies	84.010	2011	-	\$65,268
School Improvement, Sub A Title I	84.010	2010	3,004	-
School Improvement, Sub A Title I	84.010	2011	-	3,004
School Improvement, Sub G Title I	84.010	2010	1,911	-
School Improvement, Sub G Title I	84.010	2011	-	1,911
Title II-D Technology Fund	84.318	2010	3,665	-
Title II-D Technology Fund	84.318	2011	-	3,665
Title IV-A Safe & Drug Free Schools	84.186	2010	4,668	-
Title IV-A Safe & Drug Free Schools	84.186	2011	-	4,668
Special Education- Grants to States	84.027	2010	7,138	-
Special Education- Grants to States	84.027	2011	-	7,138

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**JUNE 30, 2011**

**NOTE C – TRANSFERS (continued)**

ARRA- Title I	84.389	2010	353,793	-
ARRA- Title I	84.389	2011	-	353,793
ARRA- Special Education- Grants to States	84.391	2010	139,819	-
ARRA- Special Education- Grants to States	84.391	2011	<u>-</u>	<u>139,819</u>
<b>Totals</b>			<u><u>\$ 579,266</u></u>	<u><u>\$ 579,266</u></u>

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

Members of the Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

To the Board of Directors:

We have audited the basic financial statements of the Virtual Community School of Ohio, Franklin County, Ohio (the School), a component unit of Reynoldsburg City School District, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 9, 2011, wherein we noted that the School reports on the modified cash basis of accounting, which is a comprehensive basis of accounting 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

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

**Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-001 through 2011-003.

The School's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, the School Sponsor, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
November 9, 2011

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

Members of the Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

To the Board of Directors:

**Compliance**

We have audited the compliance of Virtual Community School of Ohio, Franklin County, Ohio (the School), a component unit of the Reynoldsburg City School District, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School'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 included 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School'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 School's compliance with those requirements.

As described in item 2011-004 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding reporting applicable to its ARRA Title I program included in the Title I Cluster. Compliance with this requirement is necessary, in our opinion, for the School to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as finding as 2011-005.



### Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance in accordance with OMB Circular A-133, 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 School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, described in the accompanying schedule of findings and questioned costs as items 2011-004 and 2011-005. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, the School Sponsor, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards LLC  
November 9, 2011

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Cluster CFDA # 84.010 ARRA-CFDA # 84.389  Special Education Cluster CFDA # 84.027 ARRA-CFDA # 84.391  ARRA-State Fiscal Stabilization Fund CFDA # 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011  
(Continued)

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2011-001**

Ohio Administrative Code Section 117-2-03 (B) states "All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles."

The School prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. To be in compliance with the Ohio Administrative Code, the School should use generally accepted accounting principles in future annual financial reports.

**Officials Response**

The School will continue to prepare the financial statements in accordance with the GASB 34 format on the modified cash basis of accounting.

**FINDING NUMBER 2011-002**

**Ohio Revised Code § 3314.24 (A)** states in part that an Internet- or computer-based community school cannot contract with a nonpublic school for instructional facility space.

**Ohio Revised Code § 3314.02(A)(7)** defines Internet- or computer-based community schools as those in which the enrolled students work primarily from their residences on assignments in nonclassroom-based learning opportunities provided via an internet- or other computer-based instructional method that does not rely on regular classroom instruction or via comprehensive instructional methods including internet-based, other computer-based, and noncomputer-based learning opportunities.

During fiscal year 2011 the School contracted with seven nonpublic schools for various services, including instructional space used for tutoring and meetings between the teachers and the students. The table below provides the name of the entity, total paid to the entity and a summary of the services provided by the non-public entity to the School.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011  
(Continued)**

<b>Non-Public Entity</b>	<b>Amount Paid During Fiscal Year 2011</b>	<b>Summary of Services</b>
Holy Trinity Lutheran Church 592 West Main Street Newark, Ohio 43055	\$36,000	Contract requires payment of \$3,000 per month for use of facility. Contract also refers to the non-public entity as an "exceptional needs provider".
Mended Reeds P.O. Box 108 Ironton, Ohio 45638	\$6,500	Contract requires payment of \$3,000 per month for use of the facility. Contract also refers to the non-public entity as an "exceptional needs provider".
Kairos Academy 61 North High Street Neward, OH 43055	\$1,800	Contract requires rental of tutoring rooms at St. Paul's Church in Newark Ohio for \$200 per month for nine months.
Supportive Solutions 5333 Northfield Road Bedford Heights, Ohio 44143	\$7,200	Contract requires payment of \$1,000 annually for each fully enrolled student for services delivered relative to program marketing, student recruitment, student enrollment, orientation facilitation, use of facilities, and liaison services.
COSI 333 West Broad Street Columbus, Ohio 43215	\$7,245	Contract requires payment of \$26,871 annually for facilities, equipment, and activities related to the 21 <sup>st</sup> Century Enrichment program and the services of the COSI team
Dayton Society of Natural History 2600 Deweese Pkwy Dayton, Ohio 45414	\$16,304.50	Contract requires payment of \$16,304 annually for facilities, equipment and activities related to the 21 <sup>st</sup> Century Enrichment program
NECCO Wendy J. Goodenough P.O Box 568 South Point, OH 45680	\$4,500	Contract requires payment of NECCO center rent for the tutoring center in the amount of \$500 per month, September through May.

We recommend the School not enter into contracts with nonpublic schools for instructional facility space.

**Officials' Response**

It is the opinion of a law firm hired by VCS that contracting with these facilities is necessary and required under the Individuals with Disabilities Education Act (IDEA). The federal statute, 20 U.S.C. Section 1400, et seq., requires that all school districts, including community schools, provide special education and related services to students who are identified as disabled that are enrolled in their school district. This federal statute places mandatory responsibilities on the part of any school district, including community schools, to provide such services. This federal law would supersede and take precedent over any state law.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011  
(Continued)**

**FINDING NUMBER 2011-003**

Ohio Revised Code Section 2921.42 (A)(1) provides that no public official shall knowingly “authorize or employ the authority or influence of” the official's office to secure authorization of the employment of a family member. Ohio Revised Code Section 102.03 (D) and (E) prohibit public officials and employees from using or authorizing the use of their public positions to secure employment, or employment-related benefits, for their family members. Ohio Ethics Commission Advisory Op. No. 2010-03 concluded that “public officials and employees cannot: (a) hire or use their positions to secure employment for their family members; (b) recommend or nominate their family members for public jobs with their own, or any other, public agencies; or (c) give to their family members, or solicit or use their positions to secure for their family members, raises, promotions, job advancements, overtime pay or assignments, favorable performance evaluations, or any other things of value related to their employment.”

During the FY2011 audit of Virtual Community School, auditor noted that 2 relatives of the superintendent were employed by the School during FY2011- Judy McCord, Superintendent's wife and Ed McCord, Superintendent's brother. Additionally, Gavin McCord, Superintendent's son, was hired subsequent to year end. Employee contracts, evaluations, and hiring recommendations were reviewed for these two employees.

Judy McCord has 2 contracts with the School, one for EMIS services in the amount of \$8,500 and another beginning in FY2011 for Assistant to the Treasurer in the amount of \$20,000. The new position in 2011 was proposed to the Board by Shane Allen, Treasurer and the recommendation to hire Judy was also submitted to the Board by Shane Allen. The contracts are signed by the employee, the Board President, and the Superintendent.

Ed McCord was hired in FY 2010 as the 21st Century Grant Coordinator at \$68,090 and received a promotion during 2011 to Director of External Sites at a salary of \$86,369 for FY2011. His contract was signed by the employee, the Board President, and the Superintendent.

Gavin McCord was hired in FY 2012 as a Social Studies teacher for \$37,374. His employment was proposed to the Board by Jeff Nelson. The contract is signed by the employee, the Board President, and the Treasurer.

Ohio Revised Code Section 2921.42 (A)(1), Ohio Revised Code Section 102.03 (D) and (E) and OEC Advisory Op. No. 2010-03 should be reviewed and compared with current School practices to determine compliance issues. The School may also want to consider adopting a policy that outlines the position of the School regarding hiring practices, including whether and how relatives may be hired. This matter will be referred to the Ohio Ethics Commission.

**Officials Response**

The employment of three individuals was raised in the referenced violation memo during the course of the FY2011 audit. In relation to the individuals identified and the circumstances of their employment, VCS offers the following:

Judy McCord has two contracts with VCS. Both involve employment in the Treasurer's office. Ms. McCord reports to the Treasurer, Shane Allen. Ms. McCord was initially hired as the EMIS consultant on April 22, 2010. This was for the period of July 1, 2010 through June 30, 2011. She worked under the direction of E-School Consultants, a company that provides services to VCS. The compensation was in the amount of \$8,500.00. This contract was executed by the Board President and the employee on April 22, 2010. Ms. McCord fulfilled her duties under the supervision of the Treasurer.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011  
(Continued)**

The Treasurer of the School District needed additional help and in August of 2011, Ms. McCord was provided a supplemental contract as the Treasurer's assistant for the period of August 30, 2010 through June 30, 2011. The new position request form for this position was executed by the Treasurer, Shane Allen. The recommendation for this hire was provided by Shane Allen on August 25, 2010. Based upon the recommendation of the Treasurer, the Board hired Ms. McCord on August 26, 2010. The compensation for this position was \$20,000.00. The supplemental contract was executed on August 26, 2010 by the Board President, the employee and the Superintendent, James E. McCord.

While Mr. McCord is the husband of Judy McCord and executed this contract, it is submitted he played no role in the employment of Ms. McCord and executed the contract as part of a ministerial act by the Superintendent. His signature is not material to the contract. In other words, once the Governing Board employed Ms. McCord, whether the Superintendent signed the contract or not made no difference. It is the general practice in the district for the Superintendent to sign all contracts.

The second individual identified is Ed McCord, the brother of the Superintendent, Jim McCord. A personnel recommendation form was submitted by Kathleen Keck. The recommendation of Ms. Keck was signed by the Superintendent on April 23, 2009. The Board accepted Ms. Keck's recommendation on July 9, 2009, employing Ed McCord as the 21<sup>st</sup> Century Sites Coordinator at a compensation of \$68,090.00. This contract was for the period of September 1, 2009 through June 30, 2011. The contract was executed by the employee, Board President and Superintendent Jim McCord on July 9, 2009. As referenced above, it is submitted that this signature of the Superintendent was ministerial in nature. Ed McCord signed the contract on July 24, 2009.

During the 2010 year, an administrator left the district and responsibilities were reshuffled such that Ed McCord was provided a new contract as a Director at VCS for the period of July 1, 2010 through June 30, 2012, at a compensation of \$83,853.33. The Board approved this contract on April 22, 2010. This employment contract was executed by the employee, Board President, Superintendent Jim McCord and the employee on April 22, 2010. As referenced above, it is submitted that the signature of the Superintendent on this contract was ministerial in nature.

Gavin McCord is the son of the Superintendent, Jim McCord. A recommendation for hire of Gavin McCord was made by the High School Director, Jeff Nelson, on or about July 27, 2011. While there is a place on the form for the Superintendent signature, this recommendation form was signed by Jeff Nelson. The Director's recommendation was presented to the Board on August 4, 2011. One should note the Board also appointed Ed McCord and Jim McCord to the Race to the Top Transition Team at this same meeting. Gavin McCord was hired as a teacher for the 2011-2012 school year. The contract of Gavin McCord was signed on August 4, 2011, by the Board President and the Treasurer, Shane Allen. Gavin McCord signed the contract on August 8, 2011.

Thereafter, supplemental limited contracts were provided to Gavin McCord as a branching teacher for the period of August 18, 2011 through June 30, 2012, at \$100 per student/\$40 per credit recovery student. This contract was executed by the employee, Board President and Superintendent on August 25, 2011. As referenced above, it is submitted that the signature of the Superintendent is ministerial in nature. Gavin McCord executed the contract on August 28, 2011. Gavin McCord was hired to an additional position under a supplemental contract as test site coordinator for the period of October 1, 2011 through June 30, 2012, at a salary of \$155 per day, plus mileage. This contract was executed by the Board President and Superintendent on September 15, 2011. As noted above, the signature of the Superintendent is ministerial in nature. The employee executed the contract on September 2, 2011.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011  
(Continued)**

The Superintendent, James McCord, has affirmed that he did not use the authority or influence of his office to secure the employment of Judy McCord, Ed McCord or Gavin McCord. Recommendations for hire were made by others. Jim McCord does not supervise the individuals in question. He has performed certain ministerial functions, executing employment contracts of some of the individuals.

Superintendent Jim McCord played no part in the consideration or recommendation or deliberation with respect to these employees.

His Signature on documents is ministerial in nature. Upon information and belief, the Superintendent did not use the authority or influence of his office to secure employment for Judy McCord, Ed McCord or Gavin McCord. Additional supporting documentation for these transactions is available upon request.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number</b>	2011-004
<b>CFDA Title and Number</b>	ARRA Title I - CFDA # 84.389
<b>Federal Award Number/Year</b>	2011
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Noncompliance/Significant Deficiency**

**American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c)** require any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512 (c) (4)** requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The **Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011  
(Continued)**

During 2011, the School purchased laptops for \$81,729 with Title I ARRA monies. This purchase was not reported to ODE on the 1512 ARRA Subrecipient Vendor report. The School should report all vendors receiving single payments of \$25,000 or more on the ODE 1512 ARRA Subrecipient Vendor report. Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding.

**Officials' Response and Corrective Action Plan**

Procedures to identify all required reporting data elements were in place and followed correctly. Upon review of our back-up documentation, it was determined that the purchase in question was recorded appropriately and reflected accurately in our internal reports. Therefore, we have concluded that it was merely an oversight on our part that this element wasn't entered on the 1512 ARRA Subrecipient Vendor report. Going forward, we will be sure to do a thorough double check of the 1512 ARRA Subrecipient Vendor report for accuracy prior to final submission.

<b>Finding Number</b>	2011-005
<b>CFDA Title and Number</b>	ARRA Title I - CFDA # 84.389
<b>Federal Award Number/Year</b>	2011
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Questioned Costs/Significant Deficiency**

2 CFR 225 Appendix A states:

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In determining reasonableness of a given cost, consideration shall be given to:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
2. The restraints or requirements imposed by such factors as: Sound business practices; arm's-length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.
3. Market prices for comparable goods or services.
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.



**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011  
(Continued)**

5. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

In addition, OMB Circular A-133 § \_\_\_ 510(a)(3) requires us to report known or projected questioned costs exceeding \$10,000.

During testing of Title I non-payroll disbursements, we noted two instances of spending federal funds that we deem not reasonable or necessary in accordance with 2 CFR 225 totaling \$5,028, projected to be more than \$10,000.

Using federal funds, the School paid for hotel accommodations for 5 employees to attend an education conference. The conference registration information recommended 13 different hotels with room charges up to \$199 per night. The hotel where the employees stayed was \$349 per night. In addition, the conference was for 4 days and the school paid for the employees to stay 6 nights. The total amount determined to be unreasonable based on the market price for comparable goods or services is \$2,948.

Additionally, with federal funds the School paid for production of an online interactive yearbook including the software needed to publish the yearbook. The total amount determined to be unnecessary for the performance of the federal award is \$2,080.

Accordingly, a questioned cost is issued in the amount of \$5,028 for the cost of the unreasonable and unnecessary costs.

**Officials' Response and Corrective Action Plan**

Due to the last minute decision to register for this conference, the School was unable to book rooms at any of the recommended hotels. In the future, every effort will be made to register for conferences in a timely fashion to guarantee the best pricing for both registration and travel costs.

Although there is no direct mention of the Yearbook in the CCIP Section 2.7 Technology That Impacts Teaching and Learning references "engaging students in a variety of technology applications, including interactive media, as part of their academic work."

The R.E.A.L program at VCS Ohio, which is an elective course for high school credit, has project based instruction and students from this class participated in working on the Yearbook for VCS. Students in all grade levels were encouraged to submit photos of student work and participation in VCS Ohio events and community events throughout the year.

It is our belief that having students participate in producing an online yearbook for VCS Ohio would be an allowable academic software expenditure of Title I ARRA funds.

Also, in the CCIP there are many references to Parent/Student involvement. One of the most difficult aspects of being an online school is making students feel as though they are truly a part of a school. The interactivity provided by the yearbook purchase and having the parents and students working on the production and materials for the yearbook helps to make the student experience at VCS Ohio as close to a community setting as an online school can provide.

The VCS Parent Advisory Committee felt the yearbook was a valuable piece to enhance the education of their children at VCS Ohio and definitely helps students feel more a part of an online school.

**VIRTUAL COMMUNITY SCHOOL OF OHIO  
FRANKLIN COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2011**

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>
2010	2010-001	Ohio Revised Code Section 3314.02 (E) states that a Community School should be under the direction of a governing authority which shall consist of a board of not less than five individuals.	Corrected. A fifth Board member was added on February 16, 2011.
2010	2010-002	Ohio Revised Code Section 3314.24 (A) states that Internet- or computer-based community schools cannot contract with a nonpublic school for instructional facility space.	Repeated as finding 2011-002. However, client obtained legal opinion supporting their position.
2010	2010-003	Title I Activities Allowed and Allowable Costs/Cost Principles- Payroll	Corrected.
2010	2010-004	Title I Student Eligibility	Corrected.
2010	2010-005	Special Education- IEP's	Corrected.

### Independent Accountants' Report on Applying Agreed-Upon Procedure

Members of the Board of Directors  
Virtual Community School of Ohio  
4480 Refugee Road  
Columbus, Ohio 43232

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

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

1. We noted the School did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the School to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and the School sponsor and is not intended to be and should not be used by anyone other than these specified parties.

*Kennedy Cottrell Richards LLC*

Kennedy Cottrell Richards LLC  
November 9, 2011

**This page intentionally left blank.**



# Dave Yost • Auditor of State

VIRTUAL COMMUNITY SCHOOL OF OHIO

FRANKLIN 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  
JANUARY 12, 2012