



Mary Taylor, CPA  
Auditor of State



**BUCKEYE ON-LINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Buckeye On-line School for Success  
Columbiana County  
119 East 5<sup>th</sup> Street  
East Liverpool, Ohio 43920

To the Governing Board:

We have audited the accompanying financial statements of the Buckeye On-line School for Success, Columbiana County, Ohio (the "School") as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Buckeye On-line School for Success, Columbiana County, Ohio, as of June 30, 2007, and the respective changes in 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 December 1, 2008, 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.

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 inquires 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.

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

December 1, 2008

**Buckeye On-Line School for Success  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
(Unaudited)**

The discussion and analysis of Buckeye Online School for Success (BOSS) financial performance provides an overall view of BOSS's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at BOSS's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of BOSS's financial performance.

**Financial Highlights**

- Total Assets were \$2,472,913.
- Total Liabilities were \$590,285.
- Change in Net Assets was \$729,117.

**Using this Annual Financial Report**

This report consists of three parts, the Management's Discussion and Analysis (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 statement of cash flows.

**Statement of Net Assets**

The Statement of Net Assets answers the question, "How did we do financially during 2007?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of BOSS's net assets at June 30, 2007. A comparison is made between fiscal years 2007 and 2006.

**(Table 1)  
Net Assets**

	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Current Assets	\$ 687,414	\$ 472,689
Security Deposits	5,620	5,620
Capital Assets, Net	<u>1,779,879</u>	<u>957,553</u>
Total Assets	<u>2,472,913</u>	<u>1,435,862</u>
<b>Liabilities</b>		
Current Liabilities	566,457	277,748
Noncurrent Liabilities	<u>23,828</u>	<u>4,603</u>
Total Liabilities	<u>590,285</u>	<u>282,351</u>
<b>Net Assets</b>		
Invested in Capital Assets	1,744,373	951,538
Restricted	179,084	84,100
Unrestricted	<u>(40,829)</u>	<u>117,873</u>
Total Net Assets	<u>\$ 1,882,628</u>	<u>\$ 1,153,511</u>

**Buckeye On-Line School for Success  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
(Unaudited)**

The Statement of Revenues, Expenses, and Changes in Net Assets shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by State and other funding. Comparisons are made for fiscal years 2007 and 2006.

**Table 2  
Change in Net Assets**

	<u>2007</u>	<u>2006</u>
<b><i>Operating Revenue</i></b>		
Foundation Basic Aid	\$ 6,388,827	\$ 3,632,178
Poverty-Based Assistance	575,088	268,660
Extracurricular Activities	-	172
Other Operating Revenue	1,714	452
<b><i>Total Operating Revenues</i></b>	<u>6,965,629</u>	<u>3,901,462</u>
<b><i>Operating Expenses</i></b>		
Salaries	1,799,562	896,303
Fringe Benefits	556,991	246,810
Purchased Services	1,835,704	911,172
Materials and Supplies	2,094,738	1,329,876
Depreciation Expense	423,284	237,852
Other Operating Expenses	26,732	11,264
<b><i>Total Operating Expenses</i></b>	<u>6,737,011</u>	<u>3,633,277</u>
<b><i>Non-Operating Revenues and (Expenses)</i></b>		
Operating Grants	496,430	472,502
Contributions and Donations	-	25
Interest Income	7,190	2,037
Interest and Fiscal Charges	(3,121)	(605)
<b><i>Total Non-Operating Revenues and (Expenses)</i></b>	<u>500,499</u>	<u>473,959</u>
<b><i>Increase in Net Assets</i></b>	<u>\$ 729,117</u>	<u>\$ 742,144</u>

State Foundation Basic Aid and Poverty-Based Assistance, as a whole, are the primary support for BOSS, representing 99.9 percent of the operating revenue. Salaries and Fringe Benefits comprise 35.0 percent of operating expenses.

BOSS had total revenues of \$7,469,249, and total expenses of \$6,740,132. The change in net assets for the year was an increase of \$729,117. This increase shows BOSS can meet its obligations.



**Buckeye On-Line School for Success  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
(Unaudited)**

**Capital Assets**

For the fiscal year ended June 30, 2007, BOSS had \$1,779,879 (net of \$664,369 in accumulated depreciation) invested in land, furniture, fixtures and equipment, and vehicles. Table 3 shows balances at June 30, 2007 compared to June 30, 2006:

**Table 3  
Capital Assets at June 30  
(Net of Depreciation)**

	<u>2007</u>	<u>2006</u>
Land	\$297,241	-
Furniture, Fixtures, and Equipment	1,461,810	\$ 957,553
Vehicles	20,828	-
<b>Totals</b>	<u>\$1,779,879</u>	<u>\$ 957,553</u>

For more information on capital assets, see note 4 to the basic financial statements.

**Debt**

At June 30, 2007 BOSS had \$35,506 in Capital Leases, \$11,678 of which is due within one year. For more information on Capital Lease Debt, see note 6.

**Current Financial Issues**

The inclusion of the Lucas County Educational Service Center as BOSS's fiscal agent greatly improves its internal control structure and the quality of its financial records. For the fiscal year ended June 30, 2007, there were approximately 1,176 students enrolled in BOSS. BOSS receives its finances mostly from state aid. Per pupil aid for this period amounted to \$5,403 per student.

**Contacting BOSS's Financial Management**

This financial report is designed to provide our citizen's with a general overview of BOSS's finances and to show BOSS's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Randy Calhoun, Director, 119 East 5<sup>th</sup> Street, East Liverpool, Ohio, 43920 or e-mail at randallcalhoun@goboss2.com.

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**BUCKEYE ON-LINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007**

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**Assets**

*Current Assets*

Cash and Cash Equivalents	\$ 465,871
Intergovernmental Receivable	179,084
Prepaid Items	<u>42,459</u>

*Total Current Assets* 687,414

*Noncurrent Assets*

Security Deposits	5,620
Capital Assets, Net	<u>1,779,879</u>

*Total Noncurrent Assets* 1,785,499

Total Assets \$ 2,472,913

**Liabilities**

*Current Liabilities*

Accounts Payable	\$ 411,368
Accrued Wages and Benefits Payable	18,875
Intergovernmental Payable	124,536
Capital Lease Payable	<u>11,678</u>

*Total Current Liabilities* 566,457

*Noncurrent Liabilities*

Capital Lease Payable	<u>23,828</u>
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Total Liabilities 590,285

**Net Assets**

Invested in Capital Assets, Net of Related Debt	\$ 1,744,373
Restricted	179,084
Unrestricted	<u>(40,829)</u>

*Total Net Assets* \$ 1,882,628

See accompanying notes to the financial statements

**BUCKEYE ON-LINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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<b>Operating Revenues</b>	
Foundation Basic Aid	\$ 6,388,827
Poverty-Based Assistance	575,088
Other Operating Revenue	<u>1,714</u>
<i>Total Operating Revenues</i>	6,965,629
<b>Operating Expenses</b>	
Salaries	1,799,562
Fringe Benefits	556,991
Purchased Services	1,835,704
Materials and Supplies	2,094,738
Depreciation	423,284
Other Operating Expenses	<u>26,732</u>
<i>Total Operating Expenses</i>	6,737,011
<i>Operating Income</i>	228,618
<b>Non-Operating Revenues</b>	
Operating Grants	496,430
Interest Income	7,190
Interest and Fiscal Expense	<u>(3,121)</u>
<i>Total Non-Operating Revenues and (Expenses)</i>	500,499
<i>Change in Net Assets</i>	729,117
 <i>Net Assets at Beginning of Year</i>	 <u>1,153,511</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 1,882,628</u></u>

See accompanying notes to the financial statements

**BUCKEYE ON-LINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>Cash Flows from Operating Activities</b>	
Cash Received from State of Ohio	\$ 6,963,915
Cash Received from Other Operating Receipts	\$ 1,714
Cash Payments to Suppliers for Goods and Services	(3,730,302)
Cash Payments to Employees for Services	(1,810,994)
Cash Payments for Employee Benefits	(520,274)
<b>Net Cash Provided by Operating Activities</b>	<u>904,059</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants - Federal	408,398
Operating Grants - State	19,497
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>427,895</u>
<b>Cash Flows from Capital and Relating Financing Activities</b>	
Payments for Capital Acquisitions	(1,207,225)
Principal Payments	(8,807)
Interest and Fiscal Charges	(3,121)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(1,219,153)</u>
<b>Cash Flows from Investing Activities</b>	
Interest Income	7,190
<b>Net Cash Provided by Investing Activities</b>	<u>7,190</u>
<i>Net Increase in Cash and Cash Equivalents</i>	119,991
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>345,880</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 465,871</u></u>

***Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities***

Operating Income	\$228,618
<i>Adjustments</i>	
Depreciation Expense	423,284
Changes in Assets and Liabilities	
<i>Increase in Prepaid Items</i>	(26,199)
<i>Increase in Accounts Payable</i>	237,734
<i>Decrease in Accrued Wages</i>	(11,432)
<i>Increase in Intergovernmental Payable</i>	52,054
Total Adjustments	<u>675,441</u>
Net Cash Provided by Operating Activities	<u><u>\$ 904,059</u></u>

See accompanying notes to the financial statements

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**BUCKEYE ON-LINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**1. DESCRIPTION OF THE REPORTING ENTITY**

Buckeye Online School for Success (BOSS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. BOSS's mission is to provide student-centered education in a professional and compassionate manner, utilizing appropriately licensed/certified staff to individualize educational strategies that will empower each student to succeed. BOSS, 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. BOSS may sue and be sued. BOSS may acquire facilities as needed and contract for any services necessary for the operation of BOSS.

BOSS was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing June 22, 2004. The Sponsor is responsible for evaluating the performance of BOSS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of the Sponsor shall serve as the Chief Fiscal Officer of BOSS (See Note 11).

BOSS operates under the direction of a Governing Board. The Governing 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 Governing Board controls BOSS's one instructional/support facility staffed by 28 non-certificated, 40 certificated full time teaching personnel who provide services to 1,176 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

BOSS's basic financial statements consist of a statement of net assets, a statement of revenues, 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.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements 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 BOSS finances and meets the cash flow needs of its enterprise activities.

**BUCKEYE ON-LINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. BOSS's financial statements are prepared using the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which BOSS receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 BOSS must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to School on reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. 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, unless specifically provided in the contract between BOSS and its sponsor. The contract between BOSS and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

**E. Cash and Cash Equivalents**

BOSS's fiscal agent, the Lucas County Educational Service Center, accounts for all monies received by BOSS. All cash received by the fiscal agent is maintained in separate bank accounts in BOSS's name. Monies for BOSS are maintained in these accounts or temporarily used to purchase short-term investments.

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 BOSS are considered to be cash equivalents.

**F. Intergovernmental Revenues**

BOSS currently participates in the State Foundation Basic Aid Program, Poverty-Based Assistance, and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met. 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 BOSS must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to BOSS on a reimbursement basis.



**BUCKEYE ON-LINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The amount of these grants is directly related to the number of students enrolled in BOSS. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency calculations made by BOSS. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in an overpayment to BOSS in the amount of \$17,676.

The remaining grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**H. Capital Assets**

Capital assets are capitalized at cost and updated for additions and retirements during the year. BOSS does not maintain a capitalization policy and does not possess any infrastructure. Improvements are 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.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Computers	5
Furniture, Fixtures and Equipment	5

**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.

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by BOSS or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. BOSS applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For BOSS, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of BOSS. Revenues and expenses not meeting this definition are reported as non-operating.

**K. Estimates**

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

**L. Federal Tax Exempt Status**

On August 23, 2007, the School was granted status as an exempt organization under Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes. 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.

**3. DEPOSITS**

At fiscal year end June 30, 2007, the carrying amount of the School's deposits was \$465,871 and the bank balance was \$991,618. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$100,000 was covered by the Federal Depository Insurance Corporation and \$891,618 was protected by a collateral pool of eligible securities deposited with a qualified trustee and is exposed to custodial credit risk.

Custodial credit risk is the risk that in the event of bank failure, BOSS 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 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 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 BOSS.

BOSS had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with BOSS or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

**4. RECEIVABLES**

Receivables at June 30, 2007 consisted of intergovernmental receivables. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs. All receivables are expected to be collected within one year.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance 07/01/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/07</u>
Capital Assets:				
Land	-	\$297,241	-	\$ 297,241
Furniture, Fixtures and Equipment	1,198,638	922,334	-	2,120,972
Vehicles	-	26,035	-	26,035
Totals Capital Assets	<u>\$ 1,198,638</u>	<u>\$1,245,610</u>	<u>-</u>	<u>\$2,444,248</u>
Less Accumulated Depreciation:				
Furnitures, Fixtures, and Equipment	(241,085)	(423,284)	-	(664,369)
Total Accumulated Depreciation	<u>(241,085)</u>	<u>(423,284)</u>	<u>-</u>	<u>(664,369)</u>
Capital Assets, Net	<u>\$ 957,553</u>	<u>\$ 822,326</u>	<u>\$ -</u>	<u>\$ 1,779,879</u>

**6. OPERATING LEASE**

BOSS began their second option period for their school facility operating lease for the period February 1, 2007 through January 31, 2008 with 515 Broadway, LLC. Payments made totaled \$53,998 for the fiscal year.

BOSS entered into a second school facility operating lease for the period May 15, 2006 through May 15, 2009 with Duke Realty Corporation. Payments made totaled \$32,215 for the fiscal year.

BOSS entered into a third school facility operating lease for the period January 1, 2007 through December 31, 2008 with the Luzerne Company. Payments made totaled \$8,647 for the fiscal year.

BOSS entered into a fourth school facility operating lease for the period October 5, 2006 through October 5, 2007 with Litten, Inc. Payments made totaled \$5,000 for the fiscal year.

BOSS entered into an operating lease with GMAC SmartLease for a three year period starting November 21, 2005 and ending November 20, 2008 for a Pontiac Montana. Payments made totaled \$6,318.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	
2008	\$ 68,313
2009	32,432
	<u>\$ 100,745</u>

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**7. CAPITALIZED LEASE – LESSEE DISCLOSURE**

In March of 2005, BOSS entered into a capital lease with Ikon Office Solutions, Inc for a copy machine. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lease. The capital lease has been recorded at the present value of the future minimum lease payments as of inception date. Payments made totaled \$8,807 for the fiscal year June 30, 2007.

The following is a schedule of the future minimum lease payments required under the capital lease and present value of the minimum lease payment as of June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	11,678	2,722
2009	12,774	1,716
2010	11,054	444
Total	<u>\$ 35,506</u>	<u>\$ 4,882</u>

**8. RISK MANAGEMENT**

**A. Insurance Coverage**

BOSS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2007, BOSS contracted with Mega Insurance Group for Commercial Insurance, First National Insurance for school leader insurance and Auto-Owners Insurance for automobile insurance.

Coverage is as follows:

Aggregate Commercial General Liability (\$10,000 Deductible)	\$ 1,000,000
Property Plus Coverage:	
Arson Reward	5,000
Business Income & Extra Expense	30,000
Business Personal Property at Fair or Exhibitions	5,000
Newly constructed Property	500,000
Newly Acquired Business Personal Property	500,000
Personal Effects and Property of Others	15,000
Pollutant Clean Up and Removal	25,000
Property in Transit	25,000
Auto Insurance	
Commercial Liability Each Occurrence	1,000,000
Uninsured Motorist Each person/Each Occurrence	1,000,000
Underinsured Motorist Each person, Each Occurrence	1,000,000
Medical Payments	5,000
Comprehensive and Collision (\$500 Deductible)	Current Value

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**8. RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

BOSS 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 and Vision Benefits**

BOSS has contracted through independent agents to provide employee medical, dental, life, and vision insurance to its full time employees. BOSS pays 100% of the monthly premiums for all selected coverage (medical, dental and/or vision).

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

BOSS contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Plan members were required to contribute 10 percent of their annual covered salary and BOSS was required to contribute an actuarially determined rate. The current employer rate for the year ending June 30, 2007 was 14 percent of annual covered payroll. A portion of BOSS's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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, up to statutory maximum amount, by the SERS' Retirement Board. BOSS's required contribution for pension obligations to SERS for the fiscal year June 30, 2007, 2006 and 2005 was \$84,094, 32,815 and \$13,092; 32.9 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for 2006 and for the period September 1, 2004 to June 30, 2005. \$56,456 represents the unpaid contribution for fiscal year 2007. The balance outstanding is reflected as an intergovernmental payable.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**9. DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. State Teachers Retirement Systems**

BOSS participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plan options; 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 member 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. BOSS was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**9. DEFINED BENEFIT PENSION PLANS - (Continued)**

BOSS' required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006 and 2005 were \$143,016, 73,238 and \$43,312 respectively; 77.6 percent has been contributed for fiscal year ended June 30, 2007 and 100 percent for fiscal year 2006 and the period September 1, 2004 to June 30, 2005. \$31,979 represents the unpaid contribution for fiscal year 2007. The balance outstanding is reflected as an intergovernmental payable. Contributions to the DC and Combined Plans for the year ended June 30, 2007 were \$4,797 made by BOSS and \$11,966 made by plan members.

**10. POSTEMPLOYMENT BENEFITS**

BOSS provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For BOSS, this amount equaled \$10,227 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit.

For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For BOSS, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$33,725.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**10. POSTEMPLOYMENT BENEFITS - (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**11. FISCAL AGENT**

BOSS entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Lucas County Educational Service Center (the Sponsor) to serve as the Chief Fiscal Officer of BOSS. As part of this agreement, BOSS shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to BOSS from the State of Ohio. Total contract payments of \$131,711 were paid during the year, and a liability in the amount of \$16,126 was accrued as a liability at fiscal year end.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of BOSS:

- Maintain custody of all funds received by BOSS in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of BOSS;
- Maintain all financial records of BOSS and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of BOSS or that Officer's designee;
- Assist BOSS in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of BOSS in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by BOSS within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of BOSS so long as the proposed expenditure is within the approved budget and funds are available.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**12. PURCHASED SERVICES**

For fiscal year end, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	\$ 1,154,810
Property Services	141,862
Travel	77,869
Communications	419,069
Utilites	1,100
Contracted Craft or Trade Service	25,570
Other Purchased Services	<u>15,424</u>
Total Purchased Services	<u><u>\$ 1,835,704</u></u>

**13. CONTINGENCIES**

**Grants**

BOSS receives significant financial assistance from numerous 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of BOSS at June 30, 2007.

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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*

Buckeye On-line School for Success  
Columbiana County  
119 East 5<sup>th</sup> Street  
East Liverpool, Ohio 43920

To the Governing Board:

We have audited the financial statements of Buckeye On-line School for Success, Columbiana County, (the "School") as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

A 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 School'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 School'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 School'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.

We noted a certain matter that we reported to the School's management in a separate letter dated December 1, 2008.

### **Compliance and Other Matters**

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

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

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

December 1, 2008



**Mary Taylor, CPA**  
Auditor of State

**BUCKEYE ON-LINE SCHOOL FOR SUCCESS**

**COLUMBIANA 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 6, 2009**