



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

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## 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, 2008, 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, 2008, 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 18, 2009, 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 18, 2009

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

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

The management's discussion and analysis of the Buckeye Online School for Success' (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets were \$2,214,468 at June 30 2008.
- The School had operating revenues of \$8,743,716 and operating expenses of \$8,887,146 for fiscal year 2008. The School also received \$580,897 in federal and state grants during fiscal year 2008. The total change in net assets for the fiscal year was an increase of \$331,840.

**Using these Basic Financial Statements**

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

**Reporting the School Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The Statement of Cash Flows provides information about how the School finances and is meeting the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

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

The table below provides a summary of the School's net assets for fiscal years 2008 and 2007.

	<b>Net Assets</b>	
	<u>2008</u>	<u>2007</u>
<b><u>Assets</u></b>		
Current assets	\$ 406,389	\$ 687,414
Security deposits	-	5,620
Capital assets, net	<u>3,773,076</u>	<u>1,779,879</u>
Total assets	<u>4,179,465</u>	<u>2,472,913</u>
<b><u>Liabilities</u></b>		
Current liabilities	840,021	554,779
Non-current liabilities	<u>1,124,976</u>	<u>23,828</u>
Total liabilities	<u>1,964,997</u>	<u>578,607</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,541,151	1,713,734
Restricted	183,542	179,084
Unrestricted	<u>(510,225)</u>	<u>(10,190)</u>
Total net assets	<u>\$ 2,214,468</u>	<u>\$ 1,882,628</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School's net assets totaled \$2,214,468. Non-current assets and non-current liabilities increased due to the acquisition of a building and the related notes that were issued to finance the purchase. Current liabilities increased as a result of accrued wages, benefits and accounts payable during fiscal year 2008.



**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

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

The table below shows the changes in net assets for fiscal years 2008 and 2007.

**Change in Net Assets**

	<u>2008</u>	<u>2007</u>
<b><u>Operating Revenues:</u></b>		
Foundation basic aid	\$ 8,082,244	\$ 6,388,827
Special education	659,214	575,088
Other operating revenue	<u>2,258</u>	<u>1,714</u>
Total operating revenue	<u>8,743,716</u>	<u>6,965,629</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	2,767,914	1,799,562
Fringe benefits	850,355	556,991
Purchased services	1,958,342	1,835,704
Materials and supplies	2,695,836	2,094,738
Depreciation	574,785	423,284
Other	<u>39,914</u>	<u>26,732</u>
Total operating expenses	<u>8,887,146</u>	<u>6,737,011</u>
<b><u>Non-operating revenues:</u></b>		
Federal and state operating grants	580,897	506,430
Loss on sale of capital assets	(46,235)	-
Interest income	3,065	7,190
Interest and fiscal charges	<u>(62,457)</u>	<u>(3,121)</u>
Total non-operating revenues	<u>475,270</u>	<u>510,499</u>
Change in net assets	331,840	739,117
Net assets at beginning of year	<u>1,882,628</u>	<u>1,143,511</u>
Net assets at end of year	<u>\$ 2,214,468</u>	<u>\$ 1,882,628</u>

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation program and federal entitlement programs. Foundation basic aid payments attributed to 92.43% of total operating revenues during fiscal year 2008. The increase in funding corresponds to the increase in enrollment.

**Capital Assets**

At June 30, 2008, the School had \$3,773,076 invested in land, buildings, computers, furniture and equipment, and vehicles, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

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

**Debt Administration**

At June 30, 2008, the School had \$23,828 in capital lease obligations outstanding. Of this amount, \$12,774 is due within one year and \$11,054 is due in one year. See Note 7 in the notes to the basic financial statements for more detail on capital lease obligations outstanding.

During fiscal year 2008, the School issued \$1,250,000 in notes payable to finance the acquisition of a building. At June 30, 2008, the note payable had an outstanding balance of \$1,208,097, of which \$94,175 is due in one year. The School also borrowed and repaid \$296,301 through a line of credit during fiscal year 2008. See Note 8 in the notes to the basic financial statements for detail on the note payable and line of credit.

**Current Financial Related Activities**

The School's financial relationship with the Lucas County Educational Service Center as the School's fiscal agent greatly improves the internal control structure and quality of its financial records. During the 2007-2008 school year there were 1,468 students enrolled in the School.

The School receives its finances mostly from State aid. In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for State and Federal funds that are made available to finance its operations.

**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. Randy Calhoun, Director, 119 East Fifth Street, East Liverpool, Ohio 43920 or email at [rcalhoun@goboss2.com](mailto:rcalhoun@goboss2.com).

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

<b>Assets:</b>	
<u>Current assets:</u>	
Cash and cash equivalents . . . . .	\$ 143,244
Receivables:	
Accounts . . . . .	2,399
Intergovernmental. . . . .	246,770
Prepayments . . . . .	13,976
	406,389
Total current assets. . . . .	406,389
<u>Non-current assets:</u>	
Land . . . . .	297,241
Capital assets being depreciated, net . . . . .	3,475,835
	3,773,076
Total non-current assets . . . . .	3,773,076
Total assets . . . . .	4,179,465
<b>Liabilities:</b>	
<u>Current liabilities:</u>	
Accounts payable . . . . .	587,667
Accrued wages and benefits. . . . .	16,638
Intergovernmental payable . . . . .	21,224
Pension obligation payable . . . . .	107,543
Capital lease obligation . . . . .	12,774
Note payable. . . . .	94,175
	840,021
Total current liabilities . . . . .	840,021
<u>Long-term liabilities:</u>	
Capital lease obligation . . . . .	11,054
Note payable . . . . .	1,113,922
	1,124,976
Total long-term liabilities . . . . .	1,124,976
Total liabilities . . . . .	1,964,997
<b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	2,541,151
Restricted for:	
State funded programs . . . . .	923
Federally funded programs. . . . .	182,619
Unrestricted . . . . .	(510,225)
	(510,225)
Total net assets. . . . .	\$ 2,214,468

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

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

<b>Operating revenues:</b>	
Foundation basic aid . . . . .	\$ 8,082,244
Special education . . . . .	659,214
Other . . . . .	2,258
Total operating revenue . . . . .	<u>8,743,716</u>
<b>Operating expenses:</b>	
Salaries and wages . . . . .	2,767,914
Fringe benefits . . . . .	850,355
Purchased services . . . . .	1,958,342
Materials and supplies . . . . .	2,695,836
Depreciation . . . . .	574,785
Other . . . . .	39,914
Total operating expenses . . . . .	<u>8,887,146</u>
Operating loss . . . . .	<u>(143,430)</u>
<b>Non-operating revenues (expenses):</b>	
Federal and state operating grants . . . . .	580,897
Loss on sale of capital assets . . . . .	(46,235)
Interest income . . . . .	3,065
Interest and fiscal charges . . . . .	(62,457)
Total non-operating revenues (expenses) . . . . .	<u>475,270</u>
Change in net assets . . . . .	331,840
<b>Net assets at beginning of year . . . . .</b>	<u>1,882,628</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 2,214,468</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

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

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 8,741,458
Cash received from other operating sources . . . . .	2,258
Cash payments for salaries and wages . . . . .	(2,765,392)
Cash payments for fringe benefits . . . . .	(841,963)
Cash payments to suppliers for goods and services. . . . .	(1,802,947)
Cash payments for materials and supplies . . . . .	(2,646,113)
Cash payments for other expenses . . . . .	(45,849)
	641,452
<b>Net cash provided by operating activities . . . . .</b>	
<b>Cash flows from noncapital financing activities:</b>	
Federal and state operating grants . . . . .	513,211
	513,211
<b>Net cash provided by noncapital financing activities . . . . .</b>	
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets. . . . .	(2,616,437)
Gain on sale of capital assets . . . . .	2,120
Notes . . . . .	1,250,000
Line of credit . . . . .	296,301
Principal payments . . . . .	(349,882)
Interest payments . . . . .	(62,457)
	(1,480,355)
<b>Net cash used in capital and related financing activities. . . . .</b>	
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	3,065
Net cash provided by investing activities . . . . .	3,065
<b>Net decrease in cash and cash equivalents . . . . .</b>	
	(322,627)
<b>Cash and cash equivalents at beginning of period. . . . .</b>	465,871
<b>Cash and cash equivalents at end of period . . . . .</b>	\$ 143,244
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss . . . . .	\$ (143,430)
Adjustments:	
Depreciation. . . . .	574,785
Changes in assets and liabilities:	
(Increase) in accounts receivable . . . . .	(2,399)
Decrease in prepayments . . . . .	28,483
Decrease in security deposit . . . . .	5,620
Increase in accounts payable . . . . .	176,399
Decrease in accrued wages and benefits. . . . .	(2,237)
Decrease in intergovernmental payable . . . . .	(103,312)
Increase in pension obligation payable . . . . .	107,543
	641,452
<b>Net cash provided by operating activities. . . . .</b>	
	\$ 641,452

**Non-Cash Transactions:**

At June 30, 2008 and June 30, 2007, the School purchased \$4,982 and \$5,082, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

Buckeye Online School for Success (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School'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. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School 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 the School 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 the School (See Note 13).

The School 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 the School's one instructional/support facility staffed by 40 non-certified, 54 certified full-time teaching personnel who provide services to 1,468 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The School's significant accounting policies are described below.

**A. Basis of Presentation**

The School'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 the School finances and meets the cash flow needs of its enterprise activities.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**C. Basis of Accounting**

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

Revenue 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.

Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School on a 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 the School and its Sponsor. The contract between the School 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**

All monies received by the School are accounted for by the School's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the School's name. Monies for the School 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 the School are considered to be cash equivalents.

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School 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.



**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40
Computers	5
Furniture, fixtures and equipment	5
Vehicles	5

**G. Intergovernmental Revenues**

The School currently participates in the Foundation Basic Aid Program, State Poverty-Based Assistance Program and State Special Education Program. Revenues received from these programs are recognized as operating revenues (foundation payments) in the accounting period in which all eligibility requirements have been met.

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

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**J. Estimates**

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

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**K. Operating Revenues and Expenses**

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

**L. 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2008, the School has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the School; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the School.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS**

At June 30, 2008, the carrying amount of all School deposits was \$143,244. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$102,366 of the School's bank balance of \$202,366 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 – DEPOSITS - (Continued)**

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 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 the School 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.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2008, consisted of accounts and intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

<b>Intergovernmental receivables:</b>	<u>Amount</u>
IDEA-B	\$ 32,920
Title I	187,728
Title V	1,865
Title VI	4,050
Title IIA	17,303
Title IID	<u>2,904</u>
Total intergovernmental receivables	<u>\$ 246,770</u>

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 6 - CAPITAL ASSETS**

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

	Balance <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 297,241	\$ -	\$ -	\$ 297,241
Total capital assets, not being depreciated	<u>297,241</u>	<u>-</u>	<u>-</u>	<u>297,241</u>
<i>Capital assets, being depreciated:</i>				
Building	-	1,550,000	-	1,550,000
Computers	2,036,845	1,008,013	(80,592)	2,964,266
Furniture and equipment	84,127	58,324	-	142,451
Vehicles	26,035	-	-	26,035
Total capital assets, being depreciated	<u>2,147,007</u>	<u>2,616,337</u>	<u>(80,592)</u>	<u>4,682,752</u>
<i>Less: accumulated depreciation</i>				
Building	-	(38,750)	-	(38,750)
Computers	(644,287)	(508,170)	32,237	(1,120,220)
Furniture and equipment	(14,875)	(22,658)	-	(37,533)
Vehicles	(5,207)	(5,207)	-	(10,414)
Total accumulated depreciation	<u>(664,369)</u>	<u>(574,785)</u>	<u>32,237</u>	<u>(1,206,917)</u>
Governmental activities capital assets, net	<u>\$ 1,779,879</u>	<u>\$ 2,041,552</u>	<u>\$ (48,355)</u>	<u>\$ 3,773,076</u>

**NOTE 7 - CAPITALIZED LEASE - LESSEE DISCLOSURE**

In March of 2005, the School entered into a capital lease with Ikon Office Solutions, Inc for a copy machines. 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 with two amendments for additional copiers. Payments made totaled \$14,400 for the fiscal year June 30, 2008.

The following is a schedule of the future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2008:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 12,774	\$ 1,716
2010	<u>11,054</u>	<u>444</u>
	<u>\$ 23,828</u>	<u>2,160</u>

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - DEBT OBLIGATIONS**

**A. Line of Credit**

On December 14, 2007, the School borrowed \$296,301 through a line of credit from Huntington National Bank. The line of credit had an interest rate of 5.50% and matured on June 17, 2008. The line of credit was paid in full by June 17, 2008, along with \$11,180 in interest and fiscal charges.

**B. Note Payable**

On December 14, 2007, the School borrowed a \$1,250,000 mortgage note payable from Huntington National Bank to acquire a building. The note bears a 7.75% interest rate and matures on December 14, 2012. Principal and interest payments are made by the School monthly. The interest rate on this note is subject to change from time to time based on changes in an independent index which is the weekly average three (3) year International Swaps and Derivatives Association, Inc., mid-market par swap rate for a fixed rate payer in return for receiving 3-month LIBOR, as published in the weekly Federal Reserve Statistical Release Form H.15(519) in effect on the date hereof and as of each "Interest Rate Adjustment Date".

A summary of the note activity during fiscal year 2008 follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Due Within One Year</u>
Mortgage note	\$ -	\$ 1,250,000	\$ (41,903)	\$ 1,208,097	\$ 94,175

The following is a summary of the future debt requirements to maturity for the notes:

<u>Fiscal Year Ending,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 94,175	\$ 86,744	\$ 180,919
2010	96,817	84,102	180,919
2011	104,704	76,214	180,918
2012	113,050	67,868	180,918
2013	799,351	30,516	829,867
Total	<u>\$ 1,208,097</u>	<u>\$ 345,444</u>	<u>\$ 1,553,541</u>

**NOTE 9 - RISK MANAGEMENT**

**A. Insurance Coverage**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School contracted with Selective Insurance for commercial general liability and automobile liability insurance.

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**NOTE 9 - RISK MANAGEMENT- (Continued)**

<u>Limits of Coverage</u>	<u>Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	3,000,000
Products-completed operations aggregate limit	3,000,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	10,000
 Automotive liability	 1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage.

**B. Workers' Compensation**

The School 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**

The School has contracted through independent agents to provide employee medical, dental, life, and vision insurance to its full time employees. The School pays 100 percent of the monthly premiums for all selected coverage.

**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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

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 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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$99,949, \$78,740 and \$30,396, respectively; 53.95 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

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**NOTE 10 - PENSION PLANS - (Continued)**

**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.

Funding Policy - For fiscal year 2008, 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, 2008, 2007, and 2006 were \$217,380, \$143,016, and \$73,238, respectively; 89.37 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,131 made by the School and \$8,134 made by the plan members.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The School's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$55,582, \$33,725, and \$9,273, respectively; 53.95 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,202, \$5,354, and \$2,419, respectively; 53.95 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

**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.



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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$16,722, \$10,227, and \$4,570, respectively; 89.37 percent has been contributed for 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

**NOTE 12 - OPERATING LEASES**

The School began their second option period for school facility operating lease with 515 Broadway, LLC for the period February 1, 2007 through January 31, 2008. At the end of the lease term the School opted to lease the facility on a monthly basis through April 15, 2008. Payments made totaled \$41,477 for fiscal year 2008.

The School entered into a second school facility operating lease with Duke Realty Corporation for the period May 15, 2006 through May 15, 2009. Payments made totaled \$30,012 for fiscal year 2008.

The School entered into a third school facility operating lease with the Luzerne Company for the period January 1, 2007 through December 31, 2008. Payments made totaled \$12,000 for fiscal year 2008.

The School entered into a fourth school facility operating lease with Litten, Inc. for the period October 5, 2007 through October 5, 2008. At the end of the lease term the School opted to lease the facility on a monthly basis through March 2008. Payments made totaled \$7,200 for fiscal year 2008.

The School entered into an operating lease beginning November 21, 2005 with GMAC SmartLease for a three-year period ending November 20, 2008 for a Pontiac Montana. Payments made totaled \$5,792 during fiscal year 2008. Remaining payments on this lease total \$2,633, which will be paid during fiscal year 2009.

**NOTE 13 - FISCAL AGENT**

The School 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 the School. As part of this agreement, the School shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to the School from the State of Ohio. Total contract payments of \$183,893 in fiscal fees and \$131,121 in Sponsor fees were paid during fiscal year 2008.

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

- Maintain custody of all funds received by the School in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the School;

**BUCKEYE ONLINE SCHOOL FOR SUCCESS  
COLUMBIANA COUNTY, OHIO**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 13 - FISCAL AGENT - (Continued)**

- Maintain all financial records of the School 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 the School or the Officer's designee;
- Assist the School in meeting all financial reporting requirements established by the Auditor of the State of Ohio;
- Invest funds of the School 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 the School within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Office of the School so long as the proposed expenditure is within the approved budget and funds are available.

**NOTE 14 - PURCHASED SERVICES**

For fiscal year 2008, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 1,279,100
Property services	173,619
Travel	96,245
Communcations	369,158
Utilities	18,274
Contracts	12,685
Tuition	2,059
Other purchased services	<u>7,202</u>
Total	<u><u>\$ 1,958,342</u></u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in an underpayment to the School in the amount of \$38,768.



# 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, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 18, 2009. 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 18, 2009.

### **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 18, 2009



**Mary Taylor, CPA**  
Auditor of State

**BUCKEYE ONLINE 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 12, 2010**