BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY

REGULAR AUDIT

FOR THE PERIOD SEPTEMBER 1, 2004 TO JUNE 30, 2005

Auditor of State
Betty Montgomery

Mary Taylor, CPA
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Buckeye On-Line School for Success
Columbiana County
519 Broadway 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 period from September 1, 2004 through June 30, 2005, 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Buckeye On-Line School for Success, Columbiana County, Ohio, as of June 30, 2005, and the changes in financial position and, cash flows thereof, for the ten-month period 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 29, 2006, 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.

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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.

Betty Montgomery

Betty Montgomery
Auditor of State

December 29, 2006

The discussion and analysis of Buckeye On-Line School for Success (BOSS) financial performance provides an overall view of BOSS' financial activities for the period September 1, 2004 to June 30, 2005, the initial period of operation. The intent of this discussion and analysis is to look at BOSS' 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' financial performance.

Financial Highlights

- Total Assets were $500,831.
- Total Liabilities were $89,464.
- Total Net Assets were $411,367.

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 2005?" 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' net assets at June 30, 2005. As this is the initial period of operation, no comparison is made to prior year information:

(Table 1)
Net Assets

Assets	
Current Assets	$ 443,949
Security Deposits	2,975
Capital Assets, Net	53,907
Total Assets	$ 500,831
Liabilities	
Current Liabilities	83,449
Noncurrent Liabilities	6,015
Total Liabilities	89,464
Net Assets	
Invested in Capital Assets	46,601
Unrestricted	364,766
Total Net Assets	$ 411,367

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. Again, since this is the initial period of operation, no comparison is made to the prior year.

Table 2
Change in Net Assets

Operating Revenue	
Foundation Payments	$ 1,629,008
Disadvantaged Pupil Impact Aid	42,477
Special Education	85,683
Classroom Fees	80
Other Operating Revenue	70
Total Operating Revenues	1,757,318
Operating Expenses	
Salaries	408,197
Fringe Benefits	90,057
Purchased Services	484,727
Materials and Supplies	488,994
Depreciation Expense	3,424
Other Operating Expenses	7,374
Total Operating Expenses	1,482,773
Non-Operating Revenues and (Expenses)	
Operating Grants	136,991
Interest and Fiscal Charges	(169)
Total Non-Operating Revenues and (Expenses)	136,822
Increase in Net Assets	$ 411,367

State Foundation Payments, Disadvantaged Pupil Impact Aid, and Special Education, as a whole, are the primary support for BOSS, representing 99.9 percent of the operating revenue. Salaries and Fringe Benefits comprise 33.6 percent of operating expenses.

BOSS had total revenues of $1,894,309, and total expenses of $1,482,942. The change in net assets for the year was an increase of $411,367. This increase shows BOSS can meet its obligations.

Capital Assets

At the end of period June 30, 2005, BOSS had $53,907 (net of $3,424 in accumulated depreciation) invested in furniture and equipment. Table 3 shows balances at June 30, 2005:

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

Computers	$	35,272
Furniture, Fixtures, and Equipment		18,635
Totals	$	53,907

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

Debt

At June 30, 2005 BOSS had $7,306 in Capital Leases, $1,291 of which is due within one year. Table 4 summarizes the debt outstanding.

Table 4
Outstanding Debt, at Year End

		2005
Capital Lease Payable	$	7,306
Total Outstanding Debt, at Year End	$	7,306

Current Financial Issues

The inclusion of the Lucas County Educational Service Center as BOSS' fiscal agent greatly improves its internal control structure and the quality of its financial records. During the period September 1, 2004 to June 30, 2005, there were approximately 281 students enrolled in BOSS. BOSS receives its finances mostly from state aid. Per pupil aid for this period amounted to $5,058 per student.

Contacting BOSS' Financial Management

This financial report is designed to provide our citizens with a general overview of BOSS' finances and to show BOSS' accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Rick Wolfe, Director of Instruction, 940 Pennsylvania, East Liverpool, Ohio or e-mail at rwolfe@goboss2.com.

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BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY

STATEMENT OF NET ASSETS
June 30, 2005

Assets		
Current Assets		
Cash and Cash Equivalents	$	398,943
Receivables:		
Intergovernmental		31,817
Prepaid Items		13,189
Security Deposits		2,975
Total Current Assets		446,924
Non-Current Assets		
Capital assets, net of accumulated depreciation		53,907
Total Assets	$	500,831
Liabilities and Fund Equity		
Current Liability		
Accounts payable		38,034
Accrued Wages and Benefits Payable		22,692
Intergovernmental Payable		21,432
Capital Lease Payable		1,291
Total Current Liabilities		83,449
Noncurrent Liabilities		
Capital Lease Payable		6,015
Total Liabilities		89,464
Fund Equity		
Invested in Capital Assets, net of related debt		46,601
Unrestricted		364,766
Total net assets	$	411,367

See accompanying notes to the basic financial statements

BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD SEPTEMBER 1, 2004 TO JUNE 30, 2005

Operating Revenues	
Foundation Payments	$1,629,008
Disadvantaged Pupil Impact Aid	42,477
Special Education	85,683
Classroom Fees	80
Other operating revenues	70
Total Revenues	1,757,318
Operating Expenses	
Salaries	408,197
Fringe Benefits	90,057
Purchased Services	484,727
Materials and Supplies	488,994
Depreciation	3,424
Other Operating Expenses	7,374
Total Operating Expenses	1,482,773
Operating income	274,545
Non-operating revenues (expenses):	
Operating Grants	136,991
Interest and Fiscal Expense	(169)
Total Non-Operating Revneues	136,822
Change in net assets	411,367
Net assets at beginning of year	-
Net assets at end of year	$411,367

See accompanying notes to the basic financial statements

BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY

STATEMENT OF CASH FLOWS
FOR THE PERIOD SEPTEMBER 1, 2004 TO JUNE 30, 2005

Cash flows from operating activities	
Cash received from state foundation	$ 1,757,168
Cash Payments to suppliers for goods and services	(952,286)
Cash payments to employees for services	(385,505)
Cash payments for employee benefits	(75,689)
Cash payments from Other revenues	150
Net cash provided by operating activities	343,838
Cash flows from noncapital financing activities	
Operating Grants - Federal	21,224
Operating Grants - State	83,950
Net cash provided by non-capital financing activities	105,174
Cash flows from capital and related financing activities	
Acquisition of capital assets	(49,437)
Principal payments	(463)
Interest and Fiscal Charges	(169)
Net cash used for capital and related financing activities	(50,069)
Net increase in cash and cash equivalents	398,943
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	$ 398,943
Reconciliation of operating income to net cash provided by operating activities	
Operating income	274,545
Adjustments:	
Depreciation	3,424
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(13,189)
Increase in Security Deposits	(2,975)
Increase in Accounts Payable	37,909
Increase in Accrued Wages	22,692
Increase in Intergovernmental Payable	21,432
Net cash provided by operating activities	$ 343,838

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF THE REPORTING ENTITY

Buckeye On-Line School for Success (BOSS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. BOSS' 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, acquire facilities as needed and contract for any services necessary for the operation of BOSS. This is the initial period of operations.

BOSS was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing April 21, 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 12).

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' one instructional/support facility staffed by 8 non-certificated and 12 certificated full time teaching personnel who provide services to 281 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' accounting policies are described below.

A. Basis of Presentation

BOSS' 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.

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' 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 the 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' 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' 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 for BOSS are considered to be cash equivalents.

F. Intergovernmental Revenues

BOSS currently participates in the State Foundation Program, Disadvantaged Pupil Impact Aid, 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.

Grants and entitlements are recognized as non-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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues (Continued)

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by BOSS. These reviews are conducted to ensure BOSS is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated. This review resulted in an underpayment to BOSS in the amount of $7,833.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 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:

Description	Estimated Lives
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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Federal Tax Exempt Status

The School has filed on September 26, 2006 for status as a tax exempt organization under Internal Revenue Code Section 501(c)(3) . This status is still pending. 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 AND INVESTMENTS

Deposits

As of June 30, 2005, the carrying amount of BOSS' deposits was $398,943. As of June 30, 2005, $100,000 of the School's bank balance of $444,687 was covered by Federal Deposit Insurance Corporation, while $344,687 was exposed to custodial risk as discussed below.

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

4. RECEIVABLES

Receivables at June 30, 2005, 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.

5. CAPITAL ASSETS

Capital asset activity for the period September 1, 2004 to June 30, 2005, was as follows:

	Balance 09/1/2004	Additions	Deductions	Balance 06/30/2005
Capital Assets:				
Computers	$ -	$ 37,387	$ -	$ 37,387
Furniture, Fixtures and Equipment	-	19,944	-	19,944
Totals Capital Assets	-	57,331	-	57,331
Less Accumulated Depreciation:				
Computers	-	(2,115)	-	(2,115)
Furnitures, Fixtures, and Equipment	-	(1,309)	-	(1,309)
Total Accumulated Depreciation	-	(3,424)	-	(3,424)
Capital Assets, Net	$ -	$ 53,907	$ -	$ 53,907

6. OPERATING LEASES

BOSS entered into a school facility operating lease for the period February 1, 2005 through January 31, 2006 with 515 Broadway, LLC with an option to renew for two periods of one year each. Monthly lease payments total $2,500 and payments made for the period February 1, 2005 to June 30, 2005 totaled $12,500.

BOSS also entered into an operating lease with Ford Motor Credit Company for a two-year period starting February 28, 2005 and ending February 28, 2007 for a Ford Truck Explorer. Monthly lease payments total $466 and payments made for the period March 7, 2005 through June 30, 2005 totaled $1,398.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2005:

Fiscal Year Ending June 30,	
2006	$ 23,599
2007	3,729
	$ 27,328

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 Financial Accounting Standards Board Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date. Payments made totaled $463 in principal payments and $169 in interest payments, for the period September 1, 2004 to June 30, 2005.

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, 2005:

Fiscal Year Ending June 30,	Principal	Interest
2006	$ 1,291	$ 605
2007	1,412	484
2008	1,544	352
2009	1,689	207
2010	1,370	52
Total	$ 7,306	$ 1,700

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 period ending June 30, 2005, BOSS contracted with Mega Insurance Group for Commercial Insurance, First National Insurance for school leader insurance and Auto-Owners Insurance for automobile insurance.

8. RISK MANAGEMENT (Continued)

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

B. Workers' Compensation

BOSS pays the State Workers' 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 a portion 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 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 43215-3746.

9. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

For the period September 1, 2004 to June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and BOSS was required to contribute an actuarially determined rate. The employer rate for the period ending June 30, 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. BOSS' required contribution for pension obligations to SERS for the period ending June 30, 2005 was $13,092; 79.9 percent has been contributed for period September 1, 2004 to June 30, 2005. $3,494 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability.

B. State Teachers Retirement Systems

BOSS contributes to 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 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 website at 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 21, 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.

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems

For the period September 1, 2004 to June 30, 2005, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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 the DB plan for the period September 1, 2004 to June 30, 2005 was $43,312; 86.0 percent has been contributed for the period September 1, 2004 to June 30, 2005. $6,520 represents the unpaid contribution for fiscal year 2005. The balance outstanding is reflected as an intergovernmental payable. There were no contributions to the DC plan for the period September 1, 2004 to June 30, 2005. Contributions to the Combined plan for the period September 1, 2004 to June 30, 2005 were $413 made by plan members.

10. POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled $2,866 for the period September 1, 2004 to June 30, 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were $268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, 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. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll, a decrease of 1.48% from fiscal year 2004.

10. POSTEMPLOYMENT BENEFITS (Continued)

In addition, SERS levies a surcharge to fund health care benefits equal to 14 % of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at $27,400. However, the surcharge is capped at 2% of each employer's SERS salaries. For the 2005 fiscal year, the School paid $10,598 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were $223.444 million and the target level was $335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of $300.8 million and SERS had approximately 62,000 participants receiving health care benefits.

11. CONTINGENCIES

A. 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 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 effect on the overall financial position of BOSS at June 30, 2005.

B. Litigation

A suit was filed in the U.S. District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on BOSS is not presently determinable.

12. 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) for the sponsor to also 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 $37,116 were paid during the year, and a liability in the amount of $5,267 was accrued as of June 30, 2005.

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;

12. FISCAL AGENT (Continued)

- 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.

13. PURCHASED SERVICES

For the period September 1, 2004 to June 30, 2005, purchased service expenses were payments for services rendered by various vendors and are as follows:

Professional and Technical Services	$	273,561
Property Services		24,436
Travel		25,261
Communications		140,717
Utilities		1,115
Contracted Craft or Trade Service		15,884
Tuition		69
Other Purchased Services		3,684
Total Purchased Services	$	484,727

Auditor of State
Betty Montgomery

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
519 Broadway 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 ten-month period ended June 30, 2005, and have issued our report thereon dated December 29, 2006. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated December 29, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*.

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We intend this report solely for the information and use of the management and the Governing Board. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

December 29, 2006

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
FEBRUARY 1, 2007