BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Buckeye On-Line School for Success
Columbiana County
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 year ended June 30, 2006, 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, 2006, 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 10, 2007, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 10, 2007

The discussion and analysis of Buckeye Online School for Success (BOSS) financial performance provides an overall view of BOSS's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at BOSS's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of BOSS's financial performance.

Financial Highlights

- Total Assets were $1,435,862.
- Total Liabilities were $282,351.
- Change in Net Assets was $742,144.

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 2006?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of BOSS's net assets at June 30, 2006. As last year was the initial period of operation and not a full fiscal year, no comparison is made to prior period information:

(Table 1)
Net Assets

Assets	
Current Assets	$ 472,689
Security Deposits	5,620
Capital Assets, Net	957,553
Total Assets	1,435,862
Liabilities	
Current Liabilities	277,748
Noncurrent Liabilities	4,603
Total Liabilities	282,351
Net Assets	
Invested in Capital Assets	951,538
Restricted	84,100
Unrestricted	117,873
Total Net Assets	$ 1,153,511

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 last year was the initial period of operation and was not a full fiscal year, no comparison is made to the prior period.

Table 2
Change in Net Assets

Operating Revenue	
Foundation Basic Aid	$ 3,632,178
Poverty-Based Assistance	268,660
Extracurricular Activities	172
Other Operating Revenue	452
Total Operating Revenues	3,901,462
Operating Expenses	
Salaries	896,303
Fringe Benefits	246,810
Purchased Services	911,172
Materials and Supplies	1,329,876
Depreciation Expense	237,852
Other Operating Expenses	11,264
Total Operating Expenses	3,633,277
Non-Operating Revenues and (Expenses)	
Operating Grants	472,502
Contributions and Donations	25
Interest Income	2,037
Interest and Fiscal Charges	(605)
Total Non-Operating Revenues and (Expenses)	473,959
Increase/(Decrease) in Net Assets	$ 742,144

State Foundation Basic Aid and Poverty-Based Assistance, as a whole, are the primary support for BOSS, representing 99.9 percent of the operating revenue. Salaries and Fringe Benefits comprise 31.5 percent of operating expenses.

BOSS had total revenues of $4,376,026, and total expenses of $3,633,882. The change in net assets for the year was an increase of $742,144. This increase shows BOSS can meet its obligations.

Capital Assets

At the year ended June 30, 2006, BOSS had $957,553 (net of $241,085 in accumulated depreciation) invested in furniture and equipment. Table 3 shows balances at June 30, 2006:

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

Furniture, Fixtures, and Equipment	$ 957,553
Totals	$ 957,553

For more information on capital assets, see note 6 to the basic financial statements.

Debt

At June 30, 2006 BOSS had $6,015 in Capital Leases, $1,412 of which is due within one year. For more information on Capital Lease Debt, see note 8.

Current Financial Issues

The inclusion of the Lucas County Educational Service Center as BOSS's fiscal agent greatly improves its internal control structure and the quality of its financial records. For the fiscal year ended June 30, 2006, there were approximately 653 students enrolled in BOSS. BOSS receives its finances mostly from state aid. Per pupil aid for this period amounted to $5,283 per student.

Contacting BOSS's Financial Management

This financial report is designed to provide our citizen's with a general overview of BOSS's finances and to show BOSS's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Randy Calhoun, Director, 519 Broadway, East Liverpool, Ohio, 43920 or e-mail at randallcalhoun@goboss2.com.

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BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY
Statement of Net Assets
As of June 30, 2006

Assets		
Current Assets		
Cash and Cash Equivalents	$	345,880
Intergovernmental Receivable		110,549
Prepaid Items		16,260
Total Current Assets		472,689
Noncurrent Assets		
Security Deposits		5,620
Capital Assets, Net		957,553
Total Noncurrent Assets		963,173
Total Assets	$	1,435,862
Liabilities		
Current Liabilities		
Accounts Payable	$	173,547
Accrued Wages and Benefits Payable		30,307
Intergovernmental Payable		72,482
Capital Lease Payable		1,412
Total Current Liabillities		277,748
Noncurrent Liabilities		
Capital Lease Payable		4,603
Total Liabilities		282,351
Net Assets		
Invested in Capital Assets, Net of Related Debt	$	951,538
Restricted		84,100
Unrestricted		117,873
Total Net Assets	$	1,153,511

See accompanying notes to the financial statements

BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2006

Operating Revenues	
Foundation Basic Aid	$ 3,632,178
Poverty-Based Assistance	268,660
Extracurricular Activities	172
Other Operating Revenue	452
Total Operating Revenues	3,901,462
Operating Expenses	
Salaries	896,303
Fringe Benefits	246,810
Purchased Services	911,172
Materials and Supplies	1,329,876
Depreciation	237,852
Other Operating Expenses	11,264
Total Operating Expenses	3,633,277
Operating Income	268,185
Non-Operating Revenues	
Operating Grants	472,502
Contributions and Donations	25
Interest Income	2,037
Interest and Fiscal Expense	(605)
Total Non-Operating Revneues and (Expenses)	473,959
Change in Net Assets	742,144
Net Assets at Beginning of Year	411,367
Net Assets at End of Year	$ 1,153,511

See accompanying notes to the financial statements

BUCKEYE ON-LINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2006

Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 3,900,838
Cash Payments to Suppliers for Goods and Services	(2,127,949)
Cash Payments to Employees for Services	(888,688)
Cash Payments for Employee Benefits	(195,196)
Cash Payments from Other Revenue	624
Net Cash Provided by Operating Activities	689,629
Cash Flows from Noncapital Financing Activities	
Operating Grants - Federal	389,044
Operating Grants - State	4,726
Net Cash Provided by Noncapital Financing Activities	393,770
Cash Flows from Capital and Relating Financing Activies	
Payments for Capital Acquisitions	(1,136,628)
Contributions and Donations	25
Principal Payments	(1,291)
Interest and Fiscal Charges	(605)
Net Cash Used for Capital and Related Financing Activities	(1,138,499)
Cash Flows from Investing Activities	
Interest Income	2,037
Net Cash Provided by Investing Activities	2,037
Net Increase (Decrease) in Cash and Cash Equivalents	(53,063)
Cash and Cash Equivalents Beginning of Year	398,943
Cash and Cash Equivalents End of Year	$ 345,880

Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities

Operating Income	$268,185
Adjustments	
Depreciation Expense	237,852
Changes in Assets and Liabilities	
Increase in Prepaid Items	(3,071)
Increase in Security Deposits	(2,645)
Increase in Accounts Payable	130,643
Increase in Accrued Wages	7,615
Increase in Intergovernmental Payable	51,050
Total Adjustments	421,444
Net Cash Provided by Operating Activities	$ 689,629

See accompanying notes to the financial statements

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Notes to the Basic Financial Statements
June 30, 2006

1. DESCRIPTION OF THE REPORTING ENTITY

Buckeye Online School for Success (BOSS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. BOSS's mission is to provide student-centered education in a professional and compassionate manner, utilizing appropriately licensed/certified staff to individualize educational strategies that will empower each student to succeed. BOSS, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. BOSS may sue and be sued. BOSS may acquire facilities as needed and contract for any services necessary for the operation of BOSS.

BOSS was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing June 22, 2004. The Sponsor is responsible for evaluating the performance of BOSS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of the Sponsor shall serve as the Chief Fiscal Officer of BOSS (See Note 10).

BOSS operates under the direction of a Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls BOSS's one instructional/support facility staffed by 16 non-certificated, 21 certificated full time teaching personnel who provide services to 653 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Measurement Focus

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between BOSS and its sponsor. The contract between BOSS and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

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

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by BOSS are considered to be cash equivalents.

F. Intergovernmental Revenues

BOSS currently participates in the State Foundation Basic Aid Program, Poverty-Based Assistance, and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which BOSS must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to BOSS on a reimbursement basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amount of these grants is directly related to the number of students enrolled in BOSS. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency calculations made by BOSS. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. This review resulted in an underpayment to BOSS in the amount of $14,701.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets

Capital assets are capitalized at cost and updated for additions and retirements during the year. BOSS does not maintain a capitalization policy and does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Operating Revenues and Expenses

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

K. Estimates

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

L. Federal Tax Exempt Status

On August 23, 2007, the School was granted status as an exempt organization under Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School’s tax exempt status.

3. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year end June 30, 2006, the School has implemented GASB Statement No. 42 “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries” and GASB Statement No. 47 “Accounting for Termination Benefits”.

GASB Statement No. 42 established accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits.

The implementation of GASB Statement No. 42 and GASB Statement No. 47 did not materially affect the presentation of the financial statements of the School.

4. DEPOSITS

At fiscal year end June 30, 2006, the carrying amount of the School’s deposits was $345,880 and the bank balance was $458,026. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosure,” as of June 30, 2006, $100,000 was covered by the Federal Depository Insurance Corporation and $358,026 was protected by a collateral pool of eligible securities deposited with a qualified trustee and is exposed to custodial credit risk.

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

4. DEPOSITS - (Continued)

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

5. RECEIVABLES

Receivables at June 30, 2006 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.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 07/01/05	Additions	Deductions	Balance 06/30/2006
Capital Assets:				
Furniture, Fixtures and Equipment	$ 57,140	$ 1,141,498	$ -	$ 1,198,638
Totals Capital Assets	57,140	1,141,498	-	1,198,638
Less Accumulated Depreciation:				
Furnitures, Fixtures, and Equipment	(3,233)	(237,852)	-	(241,085)
Total Accumulated Depreciation	(3,233)	(237,852)	-	(241,085)
Capital Assets, Net	$ 53,907	$ 903,646	$ -	$ 957,553

7. OPERATING LEASE

BOSS renewed their school facility operating lease for the period February 1, 2006 through January 1, 2007 with 515 Broadway, LLC with an option to renew for one more period of one year. Payments made totaled $35,919 for the fiscal year.

BOSS entered into a second school facility operating lease for the period May 15, 2006 through April 30, 2009 with Duke Realty Ohio. Payments made totaled $3,967 for the fiscal year.

BOSS 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. Payments made totaled $5,593.

BOSS entered into an operating lease with GMAC SmartLease for a three year period starting November 21, 2005 and ending November 20, 2008 for a Pontiac Montana. Payments made totaled $3,686.

7. OPERATING LEASE - (Continued)

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2006:

Fiscal Year Ending June 30,		
2007	$	67,181
2008		49,418
2009		23,533
	$	140,132

8. CAPITALIZED LEASE – LESSEE DISCLOSURE

In March of 2005, BOSS entered into a capital lease with Ikon Office Solutions, Inc for a copy machine. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lease. The capital lease has been recorded at the present value of the future minimum lease payments as of inception date. Payments made totaled $1,291 for the fiscal year June 30, 2006.

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, 2006:

Fiscal Year Ending June 30,	Principal		Interest	
2007	$	1,412	$	484
2008		1,544		352
2009		1,689		207
2010		1,370		52
Total	$	6,015	$	1,095

9. RISK MANAGEMENT

A. Insurance Coverage

BOSS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2006, BOSS contracted with Mega Insurance Group for Commercial Insurance, First National Insurance for school leader insurance and Auto-Owners Insurance for automobile insurance.

Coverage is as follows:

Aggregate Commercial General Liability ($10,000 Deductible)	$ 1,000,000
Property Plus Coverage:	
Arson Reward	5,000
Business Income & Extra Expense	30,000

9. RISK MANAGEMENT - (Continued)

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

C. Employee Medical, Dental and Vision Benefits

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

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

BOSS contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, by calling (800) 878-5853, or by visiting the SERS website at ohsers.org.

Plan members were required to contribute 10 percent of their annual covered salary and BOSS was required to contribute an actuarially determined rate. The current employer rate for the year ending June 30, 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations.

10. DEFINED BENEFIT PENSION PLANS (Continued)

The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. BOSS's required contribution for pension obligations to SERS for the fiscal year June 30, 2006 and 2005 was $32,815 and $13,092; 15.9 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for the period September 1, 2004 to June 30, 2005. $27,612 represents the unpaid contribution for fiscal year 2006. The balance outstanding is reflected as an intergovernmental payable.

B. State Teachers Retirement Systems

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

New members have a choice of three retirement plan options; A Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers feathers of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. BOSS was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent.

10. DEFINED BENEFIT PENSION PLANS (Continued)

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.

BOSS' required contribution for pension obligations to STRS Ohio for the fiscal year 2006 and 2005 was $73,238 and $43,312 respectively; 72.2 percent has been contributed for fiscal year 2006 and 100 percent for fiscal year 2005. $20,344 represents the unpaid contribution for fiscal year 2006. The balance outstanding is reflected as an intergovernmental payable. Contributions to the DC plan for the year ended June 30, 2006 were $1,085 made by plan members. Contributions to the Combined plan for the year ended June 30, 2006 were $2,907 made by plan members.

11. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For BOSS, this amount equaled $4,570 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit.

11. POSTEMPLOYMENT BENEFITS - (Continued)

For fiscal year 2006, the minimum pay was established at $35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For BOSS, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled $9,273.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were $178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of 267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

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) to serve as the Chief Fiscal Officer of BOSS. As part of this agreement, BOSS shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to BOSS from the State of Ohio. Total contract payments of $76,948 were paid during the year, and a liability in the amount of $9,880 was accrued as a liability at fiscal year end.

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

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

13. PURCHASED SERVICES

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

Professional and Technical Service	$ 562,288
Property Services	80,227
Travel	72,160
Communications	182,599
Contracted Craft or Trade Service	3,009
Other Purchased Services	10,889
Total Purchased Services	$ 911,172

14. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of BOSS at June 30, 2006.

B. Litigation

A lawsuit entitled ***Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197*** was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on BOSS cannot presently be determined.

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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 year ended June 30, 2006, and have issued our report thereon dated December 10, 2007. 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 opinions 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 10, 2007, 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*.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 10, 2007

Mary Taylor, CPA
Auditor of State

BUCKEYE ON-LINE SCHOOL FOR SUCCESS

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 8, 2008