



Mary Taylor, CPA
Auditor of State

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - June 30, 2009	7
Statement of Revenues, Expenses, and Changes in Net Assets for the Fiscal Year Ended June 30, 2009.....	8
Statement of Cash Flows for the Fiscal Year Ended June 30, 2009	9
Notes to the Basic Financial Statements	11
Federal Awards Receipt and Expenditure Schedule for the Year Ended June 30, 2009.....	23
Notes to the Federal Awards Receipt and Expenditure Schedule for the Year Ended June 30, 2009	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	29
Schedule of Findings.....	31
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	33

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Online School for Success
Columbiana County
119 East 5th Street
East Liverpool, Ohio 43920

To the Governing Board:

We have audited the accompanying financial statements of the Buckeye Online School for Success, Columbiana County, Ohio (the "School") as of and for the year ended June 30, 2009, 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 Online School for Success, Columbiana County, Ohio, as of June 30, 2009, 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 August 20, 2010, 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 inquiries 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.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The Federal Awards Receipt and Expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipt and Expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 20, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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, 2009. 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 2009 are as follows:

- In total, net assets were \$3,169,819 at June 30 2009.
- The School had operating revenues of \$11,239,807 and operating expenses of \$10,690,079 for fiscal year 2009. The School also received \$495,786 in federal and state grants during fiscal year 2009. The total change in net assets for the fiscal year was an increase of \$955,351.

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 2009?" 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, 2009
(UNAUDITED)

The table below provides a summary of the School's net assets for fiscal years 2009 and 2008.

	Net Assets	
	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets	\$ 388,139	\$ 406,389
Capital assets, net	<u>4,328,047</u>	<u>3,773,076</u>
Total assets	<u>4,716,186</u>	<u>4,179,465</u>
<u>Liabilities</u>		
Current liabilities	401,587	840,021
Non-current liabilities	<u>1,144,780</u>	<u>1,124,976</u>
Total liabilities	<u>1,546,367</u>	<u>1,964,997</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,183,267	2,541,151
Restricted	34,205	183,542
Unrestricted (deficit)	<u>(47,653)</u>	<u>(510,225)</u>
Total net assets	<u>\$ 3,169,819</u>	<u>\$ 2,214,468</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the School's net assets totaled \$3,169,819. Non-current assets increased due to the acquisition of \$1,261,764 in capital assets. Current liabilities decreased as a result of a decrease in accounts payable and pension obligations due to the timing of the School's payments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The table below shows the changes in net assets for fiscal years 2009 and 2008.

Change in Net Assets

	<u>2009</u>	<u>2008</u>
<u>Operating Revenues:</u>		
Foundation basic aid	\$ 10,161,948	\$ 8,082,244
Special education	1,072,584	659,214
Other operating revenue	<u>5,275</u>	<u>2,258</u>
Total operating revenue	<u>11,239,807</u>	<u>8,743,716</u>
<u>Operating Expenses:</u>		
Salaries and wages	3,527,856	2,767,914
Fringe benefits	1,246,548	850,355
Purchased services	2,242,189	1,958,342
Materials and supplies	2,938,569	2,695,836
Depreciation	706,793	574,785
Other	<u>28,124</u>	<u>39,914</u>
Total operating expenses	<u>10,690,079</u>	<u>8,887,146</u>
<u>Non-operating revenues:</u>		
Federal and state operating grants	495,786	580,897
Loss on sale of capital assets	-	(46,235)
Interest income	79	3,065
Interest and fiscal charges	<u>(90,242)</u>	<u>(62,457)</u>
Total non-operating revenues	<u>405,623</u>	<u>475,270</u>
Change in net assets	955,351	331,840
Net assets at beginning of year	<u>2,214,468</u>	<u>1,882,628</u>
Net assets at end of year	<u>\$ 3,169,819</u>	<u>\$ 2,214,468</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 90.41% of total operating revenues during fiscal year 2009. The increase in funding and the increase in salaries and wages and fringe benefits expenses corresponds to the increase in enrollment.

Capital Assets

At June 30, 2009, the School had \$4,328,047 invested in land, land improvements, 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, 2009
(UNAUDITED)**

Debt Administration

At June 30, 2009 the School had \$1,144,780 in notes, loans, and capital lease obligations outstanding. Of this total, \$111,726 is due within one year and \$1,033,054 is due in more than one year. The table that follows summarizes the notes, loans, and capital lease obligations outstanding:

Outstanding Debt, at June 30

	<u>2009</u>	<u>2008</u>
Capital lease obligation	\$ 11,054	\$ 23,828
Notes payable	1,113,922	1,208,097
Loans payable	<u>19,804</u>	<u>-</u>
Total	<u>\$ 1,144,780</u>	<u>\$ 1,231,925</u>

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 2008-2009 school year there were 1,772 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@go2boss.com.

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
<u>Current assets:</u>	
Cash and cash equivalents	\$ 272,538
Receivables:	
Accounts	56
Intergovernmental.	22,991
Prepayments	92,554
Total current assets.	<u>388,139</u>
<u>Non-current assets:</u>	
Land	297,241
Capital assets being depreciated, net	4,030,806
Total non-current assets	<u>4,328,047</u>
Total assets	<u>4,716,186</u>
Liabilities:	
<u>Current liabilities:</u>	
Accounts payable	327,610
Accrued wages and benefits.	8,674
Intergovernmental payable	26,405
Pension obligation payable	38,898
Total current liabilities	<u>401,587</u>
<u>Long-term liabilities:</u>	
Due within one year	111,726
Due in more than one year.	1,033,054
Total long-term liabilities	<u>1,144,780</u>
Total liabilities	<u>1,546,367</u>
Net Assets:	
Invested in capital assets, net of related debt	3,183,267
Restricted for:	
State funded programs	3,301
Federally funded programs.	30,904
Unrestricted (deficit).	(47,653)
Total net assets.	<u>\$ 3,169,819</u>

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, 2009

Operating revenues:	
Foundation basic aid	\$ 10,161,948
Special education	1,072,584
Other	5,275
Total operating revenue	<u>11,239,807</u>
Operating expenses:	
Salaries and wages	3,527,856
Fringe benefits	1,246,548
Purchased services	2,242,189
Materials and supplies	2,938,569
Depreciation	706,793
Other	28,124
Total operating expenses	<u>10,690,079</u>
Operating income	<u>549,728</u>
Non-operating revenues (expenses):	
Federal and state operating grants	495,786
Interest income	79
Interest and fiscal charges	<u>(90,242)</u>
Total non-operating revenues (expenses)	<u>405,623</u>
Change in net assets	955,351
Net assets at beginning of year	<u>2,214,468</u>
Net assets at end of year	<u><u>\$ 3,169,819</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, 2009

Cash flows from operating activities:	
Cash received from state foundation	\$ 11,234,532
Cash received from other operating sources	5,219
Cash payments for salaries and wages	(3,540,579)
Cash payments for fringe benefits	(1,367,146)
Cash payments to suppliers for goods and services.	(2,324,615)
Cash payments for materials and supplies	(3,131,256)
Cash payments for other expenses	(22,372)
	<hr/>
Net cash provided by operating activities.	853,783
Cash flows from noncapital financing activities:	
Federal and state operating grants	719,565
	<hr/>
Net cash provided by noncapital financing activities	719,565
Cash flows from capital and related financing activities:	
Acquisition of capital assets.	(1,266,746)
Loan.	22,427
Principal payments on loan.	(2,623)
Interest payments on loan.	(1,782)
Principal payments on note.	(94,175)
Interest payments on note.	(86,744)
Principal payments on capital lease.	(12,774)
Interest payments on capital lease	(1,716)
	<hr/>
Net cash used in capital and related financing activities.	(1,444,133)
Cash flows from investing activities:	
Interest received	79
	<hr/>
Net cash provided by investing activities	79
	<hr/>
Net increase in cash and cash equivalents	129,294
Cash and cash equivalents at beginning of period.	143,244
Cash and cash equivalents at end of period	\$ 272,538
	<hr/> <hr/>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 549,728
Adjustments:	
Depreciation.	706,793
Changes in assets and liabilities:	
Decrease in accounts receivable	2,343
(Increase) in prepayments	(78,578)
(Decrease) in accounts payable.	(255,075)
(Decrease) in accrued wages and benefits.	(7,964)
Increase in intergovernmental payable	5,181
(Decrease) in pension obligation payable.	(68,645)
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Net cash provided by operating activities.	\$ 853,783
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Non-Cash Transactions:

At June 30, 2008, the School purchased \$4,982 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 38 non-certified, 76 certified full-time teaching personnel who provide services to 1,772 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 nonexchange 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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>
Land improvements	5
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, 2009, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

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

For fiscal year 2009, the School has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the School.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the School.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the School.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the School.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS

At June 30, 2009, the carrying amount of all School deposits was \$272,538. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$205,041 of the School's bank balance of \$455,041 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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, 2009, 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:

Intergovernmental receivables:	<u>Amount</u>
Title I-A	\$ 4,447
Title I school improvement	8,124
Title V	944
Title IV-A	1,710
Title II-A	7,502
Title II-D	<u>264</u>
Total intergovernmental receivables	<u>\$ 22,991</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/09</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>				
Land improvements	-	14,700	-	14,700
Building	1,550,000	-	-	1,550,000
Computers	2,964,266	1,143,231	-	4,107,497
Furniture and equipment	142,451	57,572	-	200,023
Vehicles	26,035	46,261	-	72,296
Total capital assets, being depreciated	<u>4,682,752</u>	<u>1,261,764</u>	<u>-</u>	<u>5,944,516</u>
<i>Less: accumulated depreciation</i>				
Land improvements	-	(1,470)	-	(1,470)
Building	(38,750)	(38,750)	-	(77,500)
Computers	(1,120,220)	(622,494)	-	(1,742,714)
Furniture and equipment	(37,533)	(34,246)	-	(71,779)
Vehicles	(10,414)	(9,833)	-	(20,247)
Total accumulated depreciation	<u>(1,206,917)</u>	<u>(706,793)</u>	<u>-</u>	<u>(1,913,710)</u>
Capital assets, net	<u>\$ 3,773,076</u>	<u>\$ 554,971</u>	<u>\$ -</u>	<u>\$ 4,328,047</u>

NOTE 7 - CAPITALIZED LEASE - LESSEE DISCLOSURE

On August 9, 2008, the School 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 with two amendments for additional copiers. Payments made totaled \$12,774 for the fiscal year June 30, 2009.

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, 2009:

Fiscal Year Ending		<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>			
2010		<u>\$ 11,054</u>	<u>\$ 444</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - LONG-TERM OBLIGATIONS

A. The changes in the School's long-term obligations during the year consist of the following:

	Balance			Balance	Amounts			
	<u>6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/09</u>	<u>Due in</u>			
					<u>One Year</u>			
Governmental activities:								
Notes payable	\$ 1,208,097	\$ -	\$ (94,175)	\$ 1,113,922	\$ 96,817			
Loans payable	-	22,427	(2,623)	19,804	3,855			
Capital lease obligation	23,828	-	(12,774)	11,054	11,054			
Total governmental activities								
long-term liabilities	<u>\$ 1,231,925</u>	<u>\$ 22,427</u>	<u>\$ (109,572)</u>	<u>\$ 1,144,780</u>	<u>\$ 111,726</u>			

See Note 7 for details on capital lease obligations.

B. The School entered into a loan for the purchase of a vehicle during fiscal year 2009 through Huntington National Bank. This loan was for 60 months with an interest rate of 11.17 percent.

The following is a summary of the future annual debt service requirements to maturity for the vehicle loan:

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,855	\$ 2,018	\$ 5,873
2011	4,309	1,565	5,874
2012	4,816	1,058	5,874
2013	5,382	492	5,874
2014	<u>1,442</u>	<u>27</u>	<u>1,469</u>
Total	<u>\$ 19,804</u>	<u>\$ 5,160</u>	<u>\$ 24,964</u>

C. 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 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".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

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

Fiscal Year Ending,	Principal	Interest	Total
2010	\$ 96,817	\$ 84,102	\$ 180,919
2011	104,704	76,214	180,918
2012	113,050	67,868	180,918
2013	<u>799,351</u>	<u>30,516</u>	<u>829,867</u>
Total	<u>\$ 1,113,922</u>	<u>\$ 258,700</u>	<u>\$ 1,372,622</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 2009, the School contracted with Selective Insurance for commercial general liability and automobile liability insurance.

<u>Coverage</u>	<u>Limits of 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	100,000
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 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 2009, 9.09 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, 2009, 2008 and 2007 were \$115,640, \$99,949 and \$78,740, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 10 - PENSION PLANS - (Continued)

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 2009, 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, 2009, 2008 and 2007 were \$292,345, \$217,380 and \$143,016, respectively; 94.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$9,670 made by the School and \$13,710 made by the plan members.

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 105(e). For 2009, 4.16 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 2009, the actuarially determined 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$69,190, \$55,582 and \$33,725, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$9,541, \$7,202 and \$5,354, respectively; 100 percent has been contributed for fiscal year 2009, 2008 and 2007.

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 or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, 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, 2009, 2008, and 2007 were \$22,488, \$16,722 and \$10,227, respectively; 94.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 12 - OPERATING LEASES

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 \$36,254 for fiscal year 2009.

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 \$8,878 for fiscal year 2009.

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 \$1,606 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 \$234,158 in fiscal fees and \$167,912 in Sponsor fees were paid during fiscal year 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - FISCAL AGENT - (Continued)

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;
- 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 2009, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical	\$ 1,454,584
Property services	156,037
Travel	84,780
Communications	430,541
Utilities	50,134
Contracts	16,519
Tuition	42,592
Other purchased services	<u>7,002</u>
Total	<u><u>\$ 2,242,189</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009.

B. Litigation

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. 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 over payment to the School in the amount of \$55,730.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	0000088496-3M20-2008 0000088496-3M20-2009	84.027 84.027	2,683 <u>311,719</u>	3,424 <u>285,499</u>
Total Special Education Cluster			<u>314,402</u>	<u>288,923</u>
Title I Grants to Local Educational Agencies	0000088496-3M00-2008 0000088496-3M00-2009	84.010 84.010	60,194 <u>292,291</u>	51,833 <u>293,560</u>
Total Title I			<u>352,485</u>	<u>345,393</u>
Title I School Improvement Grant				
School Improvement Grants	0000088496-3AN0-2009	84.377	<u>9,726</u>	<u>9,523</u>
Total School Improvement Grant			<u>9,726</u>	<u>9,523</u>
Title V Innovative Educational Programs	0000088496-3M10-2008 0000088496-3M10-2009	84.298 84.298	(220) <u>1,100</u>	<u>1,790</u>
Total Title V Innovative Educational Programs			<u>880</u>	<u>1,790</u>
Education Technology State Grants (Title II-D)	0000088496-3S20-2008 0000088496-3S20-2009	84.318 84.318	(322) <u>4,627</u>	298 <u>4,890</u>
Total Title II-D Technology Literacy Challenge			<u>4,305</u>	<u>5,188</u>
Improving Teacher Quality State Grants (Title II)	0000088496-3Y60-2008 0000088496-3Y60-2009	84.367 84.367	5,565 <u>19,081</u>	6,265 <u>16,581</u>
Total Title II Improving Teacher Quality Grant			<u>24,646</u>	<u>22,846</u>
Safe and Drug Free Schools and Communities - State Grants	0000088496-3Y60-2009 0000088496-3Y60-2009	84.186 84.186	2,570 <u>3,348</u>	1,998 <u>5,058</u>
Total Title IV-A Drug Free Schools			<u>5,918</u>	<u>7,056</u>
TOTAL DEPARTMENT OF EDUCATION			<u>712,362</u>	<u>680,719</u>
TOTAL			<u>\$ 712,362</u>	<u>\$ 680,719</u>

The accompanying notes to this schedule are an integral part of this schedule.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipt and Expenditure Schedule (the "Schedule") reports the Buckeye Online School for Success' (the "School's") federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School transferred the following amounts from 2008 to 2009 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2008 to 2009</u>
Title V Innovative Educational Programs	84.298	\$ 220
Education Technology State Grants (Title II-D)	84.318	322

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Mary Taylor, CPA

Auditor of State

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

Buckeye Online School for Success
Columbiana County
119 East 5th Street
East Liverpool, Ohio 43920

To the Governing Board:

We have audited the financial statements of Buckeye Online School for Success, Columbiana County, (the "School") as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 20, 2010. 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 August 20, 2010

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, the Community School's sponsor, and federal awarding agencies and pass-through entities. 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

August 20, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Buckeye Online School for Success
Columbiana County
119 East 5th Street
East Liverpool, Ohio 43920

To the Governing Board:

Compliance

We have audited the compliance of Buckeye Online School for Success, Columbiana County (the "School") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal program. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the Buckeye Online School for Success complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009. In a separate letter to the School's management dated August 20, 2010, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a federal program such that there is more than a remote likelihood that the School's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

August 20, 2010

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Buckeye Online School for Success
Columbiana County
119 East 5th Street
East Liverpool, Ohio 43920

To the Governing Board:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Buckeye Online School for Success (the "Academy") has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on September 7, 2006.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

August 20, 2010



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
SEPTEMBER 23, 2010**