



Dave Yost • Auditor of State

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Online School for Success
Columbiana County
119 East Fifth Street
East Liverpool, Ohio 44408

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, 2011, 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, 2011, 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 October 24, 2011 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

October 24, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011. 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 2011 are as follows:

- In total, net assets were \$3,222,265 at June 30 2011.
- The School had operating revenues of \$9,194,761 and operating expenses of \$11,890,847 for fiscal year 2011. The School also received \$2,545,165 in Federal and State grants during fiscal year 2011. The total change in net assets for the fiscal year was a decrease of \$245,698.

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 2011?" 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, 2011
(UNAUDITED)

The table below provides a summary of the School's net assets for fiscal years 2011 and 2010.

	Net Assets	
	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets	\$ 1,127,848	\$ 1,039,502
Capital assets, net	<u>3,815,958</u>	<u>3,809,342</u>
Total assets	<u>4,943,806</u>	<u>4,848,844</u>
<u>Liabilities</u>		
Current liabilities	431,660	347,827
Non-current liabilities	<u>1,289,881</u>	<u>1,033,054</u>
Total liabilities	<u>1,721,541</u>	<u>1,380,881</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,526,077	2,776,288
Restricted	824,360	409,215
Unrestricted (deficit)	<u>(128,172)</u>	<u>282,460</u>
Total net assets	<u>\$ 3,222,265</u>	<u>\$ 3,467,963</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the School's net assets totaled \$3,222,265. Current assets increased as a result of an increase in intergovernmental receivables of \$291,572 due to the American Recovery and Reinvestment Act (ARRA) grants outstanding at year-end. Non-current liabilities increased because the School entered into two capital leases for the purchase of computer equipment. The overall change in net assets was a decrease of \$245,698.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The table below shows the changes in net assets for fiscal years 2011 and 2010.

	2011	2010
<u>Operating Revenues:</u>		
Foundation basic aid	\$ 8,288,781	\$ 8,791,004
Special education	890,214	940,550
Other operating revenue	15,766	3,423
Total operating revenue	9,194,761	9,734,977
<u>Operating Expenses:</u>		
Salaries and wages	4,380,906	3,860,230
Fringe benefits	1,567,045	1,358,401
Purchased services	2,494,187	2,233,005
Materials and supplies	2,519,271	2,589,745
Depreciation	873,399	970,935
Other	56,039	50,098
Total operating expenses	11,890,847	11,062,414
<u>Non-operating revenues:</u>		
Federal and State operating grants	2,545,165	1,712,233
Loss on sale of capital assets	-	(88)
Interest and fiscal charges	(94,777)	(86,564)
Total non-operating revenues	2,450,388	1,625,581
Change in net assets	(245,698)	298,144
Net assets at beginning of year	3,467,963	3,169,819
Net assets at end of year	\$ 3,222,265	\$ 3,467,963

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 and special education payments attributed to 78.19% of total operating and non-operating revenues during fiscal year 2011. The School's Foundation basic aid decreased by \$502,223 in fiscal year 2011. However, the School had an increase in Federal and State operating grants of \$832,932 as a result of American Recovery and Reinvestment Act (ARRA) grants and the Education Jobs Fund grant.

Capital Assets

At June 30, 2011, the School had \$3,815,958 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, 2011
(UNAUDITED)

Debt Administration

At June 30, 2011 the School had \$1,289,881 in capital leases, notes and loans outstanding. Of this total, \$424,143 is due within one year and \$865,738 is due in more than one year. The table that follows summarizes the long-term obligations outstanding:

Outstanding Debt, at June 30

	<u>2011</u>	<u>2010</u>
Capital lease obligation	\$ 365,840	\$ -
Notes payable	912,401	1,017,105
Loans payable	<u>11,640</u>	<u>15,949</u>
Total	<u>\$ 1,289,881</u>	<u>\$ 1,033,054</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 2010-2011 school year there were 1,585 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, 2011

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 295,753
Receivables:	
Accounts	51
Intergovernmental.	763,427
Prepayments	68,617
	<hr/>
Total current assets	1,127,848
Non-current assets:	
Land	297,241
Depreciable capital assets, net	3,518,717
	<hr/>
Total non-current assets.	3,815,958
	<hr/>
Total assets	4,943,806
 Liabilities:	
Current liabilities:	
Accounts payable	342,606
Accrued wages and benefits.	7,610
Pension obligation payable	47,643
Intergovernmental payable	33,801
	<hr/>
Total current liabilities	431,660
Non-current liabilities:	
Due within one year	424,143
Due in more than one year	865,738
	<hr/>
Total non-current liabilities.	1,289,881
	<hr/>
Total liabilities	1,721,541
 Net assets:	
Invested in capital assets, net of related debt	2,526,077
Restricted for federally funded programs.	824,360
Unrestricted (deficit)	(128,172)
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Total net assets	\$ 3,222,265
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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, 2011

Operating revenues:	
Foundation basic aid	\$ 8,288,781
Special education	890,214
Other	15,766
Total operating revenues	9,194,761
Operating expenses:	
Salaries and wages	4,380,906
Fringe benefits	1,567,045
Purchased services	2,494,187
Materials and supplies	2,519,271
Depreciation	873,399
Other	56,039
Total operating expenses	11,890,847
Operating loss	(2,696,086)
Non-operating revenues (expenses):	
Federal and State operating grants	2,545,165
Interest and fiscal charges	(94,777)
Total non-operating revenues (expenses)	2,450,388
Change in net assets.	(245,698)
Net assets at beginning of year	3,467,963
Net assets at end of year	\$ 3,222,265

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, 2011**

Cash flows from operating activities:	
Cash received from State foundation	\$ 9,161,395
Cash received from other operations	15,769
Cash payments for salaries and wages.	(4,385,014)
Cash payments for fringe benefits	(1,483,848)
Cash payments for contractual services	(2,547,631)
Cash payments for materials and supplies	(2,373,553)
Cash payments for other expenses	(64,553)
	<hr/>
Net cash used in operating activities.	(1,677,435)
Cash flows from noncapital financing activities:	
Federal and State operating grants.	2,253,593
	<hr/>
Net cash provided by noncapital financing activities.	2,253,593
Cash flows from capital and related financing activities:	
Gain on sale of capital assets.	1,687
Capital lease proceeds	606,025
Principal retirement on capital lease	(240,185)
Interest payments on capital lease.	(16,998)
Principal retirement on loan	(4,309)
Interest payments on loan.	(1,565)
Principal retirement on note	(104,704)
Interest payments on note	(76,214)
Acquisition of capital assets	(868,122)
	<hr/>
Net cash used in capital and related financing activities.	(704,385)
Net decrease in cash and cash equivalents.	(128,227)
Cash and cash equivalents at beginning of year . . .	423,980
Cash and cash equivalents at end of year	\$ 295,753
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (2,696,086)
Adjustments:	
Depreciation	873,399
Changes in assets and liabilities:	
Decrease in accounts receivable	3
Decrease in prepayments.	74,996
Increase in accounts payable.	80,392
(Decrease) in accrued wages and benefits	(4,108)
(Decrease) in intergovernmental payable	(18,635)
Increase in pension obligation payable	12,604
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Net cash used in operating activities.	\$ (1,677,435)
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Non-cash transactions:

In 2011, the School purchased \$13,580 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, 2011**

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. A contract extension was approved through June 30, 2011. 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 47 non-certified, 90 certified full-time teaching personnel who provide services to 1,585 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) guidance 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 guidance 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, 2011**

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. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$500 for computers and \$2,000 for all other asset classes. The School 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, 2011

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	7 - 40
Computers	5
Furniture, fixtures and equipment	5
Vehicles	5

G. Intergovernmental Revenues

The School currently participates in the Foundation Basic Aid Program and the 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, 2011, 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, 2011

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

A. Change in Accounting Principles

For fiscal year 2011, the School has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the School.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 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, 2011

NOTE 4 - DEPOSITS

At June 30, 2011, the carrying amount of all School deposits was \$295,753. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2011, The School’s entire bank balance of \$644,310 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Receivables at June 30, 2011, 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>
Education jobs	\$423,132
Race to the top	60,803
IDEA Part-B	16,347
Title I - school improvement	19,698
Title I	238,524
Title IV-A	3,822
Title II-A	<u>1,101</u>
Total intergovernmental receivables	<u>\$763,427</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance			Balance
	<u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/11</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	61,784	-	1,611,784
Computers	4,498,372	783,183	(120,161)	5,161,394
Furniture and equipment	229,354	36,735	(3,781)	262,308
Vehicles	<u>72,296</u>	<u>-</u>	<u>-</u>	<u>72,296</u>
Total capital assets, being depreciated	<u>6,364,722</u>	<u>881,702</u>	<u>(123,942)</u>	<u>7,122,482</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(4,410)	(2,940)	-	(7,350)
Building	(116,250)	(43,163)	-	(159,413)
Computers	(2,583,657)	(766,786)	120,161	(3,230,282)
Furniture and equipment	(113,598)	(46,050)	2,094	(157,554)
Vehicles	<u>(34,706)</u>	<u>(14,460)</u>	<u>-</u>	<u>(49,166)</u>
Total accumulated depreciation	<u>(2,852,621)</u>	<u>(873,399)</u>	<u>122,255</u>	<u>(3,603,765)</u>
Capital assets, net	<u>\$ 3,809,342</u>	<u>\$ 8,303</u>	<u>\$ (1,687)</u>	<u>\$ 3,815,958</u>

NOTE 7 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During the current year, the School entered into two capital leases with Huntington Bank for computer equipment. These leases meet 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 leases have been recorded at the present value of the future minimum lease payments as of inception date with two amendments for additional copiers. Principal payments made totaled \$240,185 fiscal year 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - CAPITALIZED LEASE - LESSEE DISCLOSURE - (Continued)

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, 2011:

Fiscal Year Ending <u>June 30,</u>	<u>Payments</u>
2012	\$ 317,257
2013	<u>60,073</u>
Total future minimum lease payments	377,330
Less: amount representing interest	<u>(11,490)</u>
Present value of future minimum lease payments	<u>\$ 365,840</u>

NOTE 8 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/11</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
Notes payable	\$ 1,017,105	\$ -	\$ (104,704)	\$ 912,401	\$ 113,050
Loans payable	15,949	-	(4,309)	11,640	4,816
Capital lease obligation	<u>-</u>	<u>606,025</u>	<u>(240,185)</u>	<u>365,840</u>	<u>306,277</u>
Total governmental activities long-term liabilities	<u>\$ 1,033,054</u>	<u>\$ 606,025</u>	<u>\$ (349,198)</u>	<u>\$ 1,289,881</u>	<u>\$ 424,143</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>
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>\$ 11,640</u>	<u>\$ 1,577</u>	<u>\$ 13,217</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

- 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".

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

Fiscal Year Ending	Principal	Interest	Total
2012	\$ 113,050	\$ 67,868	\$ 180,918
2013	799,351	30,516	829,867
Total	<u>\$ 912,401</u>	<u>\$ 98,384</u>	<u>\$ 1,010,785</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 2011, 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	\$2,000,000
General aggregate	3,000,000
Products-completed operations aggregate limit	3,000,000
Personal & advertising injury	1,000,000
Building	3,660,342
Personal property	337,459
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - RISK MANAGEMENT - (Continued)

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 95 percent of the monthly premiums for all selected coverage.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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 "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$165,338, \$171,830 and \$115,640, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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 under "*Publications*".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, 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, 2011, 2010 and 2009 were \$388,054, \$326,598 and \$292,345, respectively; 94.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$39,139 made by the School and \$27,957 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Governing Board have elected Social Security. The School's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$39,939, \$25,417 and \$69,190, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$10,640, \$10,218 and \$9,541, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

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 under "Publications" 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 2011, 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, 2011, 2010 and 2009 were \$29,850, \$25,123 and \$22,488, respectively; 94.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 12 - OPERATING LEASE

The School entered into a school facility operating lease with Duke Realty Corporation for the period May 15, 2006 through May 15, 2009. A lease amendment was signed for the period June 8, 2010 through May 31, 2012. Payments made totaled \$29,864 for fiscal year 2011.

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 \$220,081 in fiscal fees and \$142,406 in Sponsor fees were paid during fiscal year 2011.

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - FISCAL AGENT - (Continued)

- 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 2011, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical	\$ 1,556,113
Property services	142,907
Travel	107,288
Communications	490,836
Utilities	49,380
Contracts	7,795
Tuition	112,917
Other purchased services	<u>26,951</u>
Total	<u>\$ 2,494,187</u>

NOTE 15 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2011.

B. Litigation

The School is not involved in any litigation that, in the opinion of management, would have 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. The School anticipates no adjustments to State funding for fiscal year 2012, as a result of the reviews which have yet to be completed.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education.</i>				
Title 1, Part A Cluster:				
Title 1 Grants to Local Educational Agencies - Title	FY10	84.010	\$39,057	\$12,443
Title I-A	FY11		334,950	304,391
Title I-SI Sub A	FY10		4,501	1,692
Title I-SI Sub A	FY11		32,311	24,243
Grants to Local Educational Agencies - Recovery Act - Title 1	ARRA - FY11	84.389	133,593	119,723
Title I-SI	ARRA - FY11		<u>40,302</u>	<u>33,459</u>
Total Title I, Part A Cluster			584,714	495,951
Special Education Cluster:				
Special Education Grants to States (IDEA, Part B)	FY10	84.027	10,976	0
	FY11		329,115	331,481
Special Education Grants to States (IDEA, Part B) Recovery Act	ARRA - FY10	84.391	10,759	0
			<u>352,130</u>	<u>315,902</u>
Total Special Education Cluster			702,980	647,383
Safe and Drug Free Schools and Communities - State Grants	FY10	84.186	166	-
	FY11		<u>-</u>	<u>3,294</u>
Total Title IV-A Drug Free Schools			166	3,294
Education Technology State Grants (Title II-D)	FY10	84.318	659	659
	FY11		<u>5,987</u>	<u>5,987</u>
Total Education Technology State Grants			6,646	6,646
Improving Teacher Quality State Grants (Title II)	FY10	84.367	743	-
	FY11		<u>23,069</u>	<u>23,450</u>
Total Improving Teacher Quality State Grants			23,812	23,450
Title I School Improvement Grant	FY10	84.377	2,110	0
State Fiscal Stabilization Fund	ARRA - FY11	84.394	781,124	781,124
Race to the Top	ARRA - FY11	84.395	7,855	13,772
Education Jobs	ARRA - FY11	84.410	139,185	135,937
TOTAL DEPARTMENT OF EDUCATION			<u>\$2,248,592</u>	<u>\$2,107,557</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 RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures 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.

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Dave Yost • 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 Fifth 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, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 24, 2011. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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*.

Buckeye Online School for Success
Columbiana County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By Government Auditing Standards
Page 2

We did note a certain matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated October 24, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 24, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Buckeye Online School for Success
Columbiana County
119 East Fifth Street
East Liverpool Ohio 43920

To the Governing Board:

Compliance

We have audited the compliance of Buckeye Online School for Success (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 could directly and materially affect each of the School's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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 to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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, and Community School's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 24, 2011

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

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 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 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, Part A: Cluster (84.010 Grants to Local Educational Agencies), 84.389 Grants to Local Educational Agencies – Recovery Act, Special Education Cluster: 84.027 Special Education Grants to States (IDEA, Part B), 84.391 Special Education Grants to States (IDEA, Part B) Recovery Act and 84.394 State Fiscal Stabilization Fund.
<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?	Yes

**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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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Governing Board:

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

1. We noted the Board amended its anti-harassment policy at its meeting on September 10, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 24, 2011

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Dave Yost • 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
NOVEMBER 29, 2011**