



Dave Yost • Auditor of State

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Buckeye Online School for Success, Columbiana County, Ohio, as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 7, 2015

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014. 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 2014 are as follows:

- In total, net position was \$1,538,744 at June 30, 2014.
- The School had operating revenues of \$7,574,211 and operating expenses of \$7,983,647 for fiscal year 2014. The School also received \$1,146,973 in Federal and State grants during fiscal year 2014. The total change in net position for the fiscal year was an increase of \$711,311.

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 position* and *statement of revenues, expenses and changes in net position* 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 Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets plus deferred outflows, liabilities plus deferred inflows, 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 position* and changes in net position. This change in net position 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 9 and 10 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 11 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table below provides a summary of the School's net position for fiscal years 2014 and 2013.

	Net Position	
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 1,060,123	\$ 543,699
Capital assets, net	<u>1,645,703</u>	<u>1,721,431</u>
Total assets	<u>2,705,826</u>	<u>2,265,130</u>
<u>Liabilities</u>		
Current liabilities	566,967	738,192
Non-current liabilities	<u>600,115</u>	<u>699,505</u>
Total liabilities	<u>1,167,082</u>	<u>1,437,697</u>
<u>Net Position</u>		
Net investment in capital assets	1,045,588	1,021,926
Restricted	84,922	50,073
Unrestricted (deficit)	<u>408,234</u>	<u>(244,566)</u>
Total net position	<u>\$ 1,538,744</u>	<u>\$ 827,433</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School's net position totaled \$1,538,744. The cash balance of the school increased \$416,487 from \$379,503 to \$795,990. Non-current liabilities decreased because the School paid off the loan outstanding and made principal payments on the notes and capital lease obligation outstanding. The overall change in net position was an increase of \$711,311.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2014 and 2013.

Change in Net Position

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues:</u>		
Foundation basic aid	\$ 6,392,058	\$ 6,998,838
Special education	1,147,581	851,704
Tuition and fees	15,456	-
Other operating revenue	<u>19,116</u>	<u>4,265</u>
Total operating revenue	<u>7,574,211</u>	<u>7,854,807</u>
<u>Operating Expenses:</u>		
Salaries and wages	4,054,591	4,676,101
Fringe benefits	1,478,260	1,585,117
Purchased services	1,693,341	1,774,478
Materials and supplies	637,485	920,839
Depreciation	75,728	96,219
Other	<u>44,242</u>	<u>1,486</u>
Total operating expenses	<u>7,983,647</u>	<u>9,054,240</u>
<u>Non-operating revenues (expenses):</u>		
Federal and State operating grants	1,146,973	1,035,355
Loss on sale of capital assets	-	(1,658,623)
Interest and fiscal charges	<u>(26,226)</u>	<u>(30,027)</u>
Total non-operating revenues (expenses)	<u>1,120,747</u>	<u>(653,295)</u>
Change in net position	711,311	(1,852,728)
Net position at beginning of year	<u>827,433</u>	<u>2,680,161</u>
Net position at end of year	<u>\$ 1,538,744</u>	<u>\$ 827,433</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 and special education payments attributed to 86.45% of total operating and non-operating revenues during fiscal year 2014. The School's Foundation basic aid combined with the special education payments decreased \$310,903 between 2014 and 2013 due to a decrease in enrollment from 1,241 students to 1,117 students. The School's operating expenses decreased \$1,070,593 primarily as a result in the decrease in salaries, wages and fringe benefit costs.

Capital Assets

At June 30, 2014, the School had \$1,645,703 invested in land, land improvements, buildings, 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, 2014
(UNAUDITED)

Debt Administration

At June 30, 2014 the School had \$600,115 in capital leases and notes outstanding. Of this total, \$98,243 is due within one year and \$501,872 is due in more than one year. See Note 8 in the notes to the basic financial statements for more detail on long-term obligations. The table that follows summarizes the long-term obligations outstanding:

Outstanding Debt, at June 30

	<u>2014</u>	<u>2013</u>
Capital lease obligation	\$ 14,720	\$ 19,500
Notes payable	585,395	678,563
Loans payable	<u>-</u>	<u>1,442</u>
Total	<u>\$ 600,115</u>	<u>\$ 699,505</u>

Current Financial Related Activities

The School's financial relationship with the Educational Service Center of Lake Erie West as the School's fiscal agent greatly improves the internal control structure and quality of its financial records. During the 2013-2014 school year there were 1,117 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. Richard Sheppard, Director, 119 East Fifth Street, East Liverpool, Ohio 43920 or email at rsheppard@go2boss.com.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 795,990
Receivables:	
Accounts	38
Intergovernmental.	236,368
Prepayments	<u>27,727</u>
Total current assets	<u>1,060,123</u>
Non-current assets:	
Land.	297,241
Depreciable capital assets, net	<u>1,348,462</u>
Total non-current assets.	<u>1,645,703</u>
Total assets.	<u>2,705,826</u>
Liabilities:	
Current liabilities:	
Accounts payable.	20,545
Accrued wages and benefits	441,130
Pension obligation payable.	81,434
Intergovernmental payable	<u>23,858</u>
Total current liabilities	<u>566,967</u>
Non-current liabilities:	
Due within one year.	98,243
Due in more than one year.	<u>501,872</u>
Total non-current liabilities	<u>600,115</u>
Total liabilities	<u>1,167,082</u>
Net position:	
Investment in capital assets.	1,045,588
Restricted for federally funded programs.	84,922
Unrestricted.	<u>408,234</u>
Total net position.	<u>\$ 1,538,744</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 POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating revenues:	
Foundation basic aid.	\$ 6,392,058
Special education.	1,147,581
Tuition and fees.	15,456
Other.	19,116
Total operating revenues	7,574,211
Operating expenses:	
Salaries and wages.	4,054,591
Fringe benefits.	1,478,260
Purchased services.	1,693,341
Materials and supplies.	637,485
Depreciation.	75,728
Other.	44,242
Total operating expenses.	7,983,647
Operating loss.	(409,436)
Non-operating revenues (expenses):	
Federal and State operating grants.	1,146,973
Interest and fiscal charges.	(26,226)
Total non-operating revenues (expenses).	1,120,747
Change in net position	711,311
Net position at beginning of year.	827,433
Net position at end of year	\$ 1,538,744

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, 2014

Cash flows from operating activities:	
Cash received from State foundation	\$ 7,539,639
Cash received from other operations	19,129
Cash payments for salaries and wages.	(4,062,653)
Cash payments for fringe benefits	(1,461,359)
Cash payments for contractual services	(1,787,565)
Cash payments for materials and supplies	(715,821)
Cash payments for other expenses	(50,354)
	<hr/>
Net cash used in operating activities.	(503,528)
Cash flows from noncapital financing activities:	
Federal and State operating grants.	1,045,631
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Net cash provided by noncapital financing activities.	1,045,631
Cash flows from capital and related financing activities:	
Principal retirement on capital lease	(4,780)
Interest payments on capital lease.	(1,040)
Principal retirement on loan.	(1,442)
Interest payments on loan.	(27)
Principal retirement on note.	(93,168)
Interest payments on note	(25,159)
	<hr/>
Net cash used in capital and related financing activities.	(125,616)
Net increase in cash and cash equivalents.	416,487
Cash and cash equivalents at beginning of year . . .	379,503
Cash and cash equivalents at end of year	\$ 795,990
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (409,436)
Adjustments:	
Depreciation	75,728
Changes in assets and liabilities:	
Decrease in accounts receivable	13
Decrease in intergovernmental receivable.	11,800
Increase in prepayments	(10,408)
Decrease in accounts payable.	(172,709)
Decrease in accrued wages and benefits.	(8,062)
Decrease in intergovernmental payable.	(1,862)
Increase in pension obligation payable.	11,408
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Net cash used in operating activities.	\$ (503,528)
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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, 2014**

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 Educational Service Center of Lake Erie West (the “Sponsor”) for a period of five years commencing June 22, 2004. A contract extension was approved through June 30, 2015. 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 12).

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 31 non-certified and 83 certified full-time teaching personnel who provide services to 1,117 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’s significant accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets plus deferred outflows and all liabilities plus deferred inflows are included on the statements of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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, 2014

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 Educational Service Center of Lake Erie West. 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 position, 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's capitalization threshold is \$5,000 for all 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, 2014

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, 2014, 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 Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School 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 position is available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Change in Accounting Principles

For fiscal year 2014, the School has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all School deposits was \$795,990. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$250,000 of the School's bank balance of \$1,047,658 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$797,658 was exposed to custodial risk as discussed below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2014, 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>
Medicaid	\$ 68,071
Race to the Top	27,578
IDEA Part-B	43,190
Title I - School Improvement	13,650
Title I-A	83,767
Title II-A	<u>112</u>
Total intergovernmental receivables	<u>\$236,368</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance			Balance
	<u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/14</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	1,611,784	-	-	1,611,784
Furniture and equipment	264,866	-	-	264,866
Vehicles	<u>72,296</u>	<u>-</u>	<u>-</u>	<u>72,296</u>
Total capital assets, being depreciated	<u>1,963,646</u>	<u>-</u>	<u>-</u>	<u>1,963,646</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(13,230)	(1,470)	-	(14,700)
Building	(245,739)	(47,577)	-	(293,316)
Furniture and equipment	(212,817)	(22,055)	-	(234,872)
Vehicles	<u>(67,670)</u>	<u>(4,626)</u>	<u>-</u>	<u>(72,296)</u>
Total accumulated depreciation	<u>(539,456)</u>	<u>(75,728)</u>	<u>-</u>	<u>(615,184)</u>
Capital assets, net	<u>\$ 1,721,431</u>	<u>\$ (75,728)</u>	<u>\$ -</u>	<u>\$ 1,645,703</u>

NOTE 7 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In fiscal year 2013, the School entered into a capital lease for copier equipment. Principal payments made totaled \$4,780 for fiscal year 2014.

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, 2014:

Fiscal Year Ending <u>June 30,</u>	<u>Payments</u>
2015	\$ 5,820
2016	5,820
2017	<u>4,365</u>
Total future minimum lease payments	16,005
Less: amount representing interest	<u>(1,285)</u>
Present value of future minimum lease payments	<u>\$ 14,720</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS

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

	Balance <u>6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/14</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Notes payable	\$ 678,563	\$ -	\$ (93,168)	\$ 585,395	\$ 93,168
Loans payable	1,442	-	(1,442)	-	-
Capital lease obligation	<u>19,500</u>	<u>-</u>	<u>(4,780)</u>	<u>14,720</u>	<u>5,075</u>
Total governmental activities long-term liabilities	<u>\$ 699,505</u>	<u>\$ -</u>	<u>\$ (99,390)</u>	<u>\$ 600,115</u>	<u>\$ 98,243</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. This loan was paid in full during fiscal year 2014.
- 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 bore a 7.75% interest rate and matured on December 14, 2012. On December 18, 2012, the School renewed the loan in the amount of \$723,810 with a 3.9% interest rate. The loan matures December 1, 2016 and requires 47 monthly payments of \$9,860 and a final payment of \$344,083. Principal and interest payments were made by the School monthly.

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 2014, 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
Building	3,777,473
Personal property	378,788
Automotive liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in coverage.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - RISK MANAGEMENT - (Continued)

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 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 "Employers/Audit Resources".

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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$130,168, \$146,027 and \$189,274, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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 website 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, 2014**

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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$398,970, \$405,229 and \$421,003, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$48,582 made by the School and \$38,172 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, 2014 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, 2014

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 Section 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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 "Employers/Audit Resources".

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$8,485, \$22,503 and \$27,905, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$7,552, \$8,249 and \$11,178, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 2014, 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, 2014, 2013 and 2012 were \$30,690, \$31,171 and \$32,385, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

NOTE 12 - FISCAL AGENT

The School entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Educational Service Center of Lake Erie West (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. On the April 18, 2013 Board meeting, the Board approved a five year contract with the Sponsor. Total contract payments of \$154,156 in fiscal fees and \$111,171 in Sponsor fees were paid during fiscal year 2014. A liability of \$13,461 was accrued for fiscal fees for the fiscal year ended June 30, 2014.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - FISCAL AGENT - (Continued)

- 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 13 - PURCHASED SERVICES

For fiscal year 2014, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical	\$ 1,050,583
Property services	77,766
Travel	30,663
Communications	251,801
Utilities	68,975
Contracts	13,052
Tuition	187,400
Other purchased services	<u>13,101</u>
Total	<u>\$ 1,693,341</u>

NOTE 14 - 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 of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, if applicable, cannot be determined at this time.

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 2015 for fiscal year 2014, as a result of the reviews which have yet to be completed.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title 1 Grants to Local Educational Agencies	84.010	385,413	473,670
Special Education_Grants to States	84.027	390,038	397,743
Improving Teacher Quality State Grants (Title II-A)	84.367	5,107	5,220
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>128,546</u>	<u>142,834</u>
Total U.S. Department of Education		<u>\$909,104</u>	<u>\$1,019,467</u>

The accompanying notes are an integral part of this schedule.

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (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.



Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Buckeye Online School for Success, Columbiana County, (the "School") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the school's basic financial statements, and have issued our report thereon dated January 7, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 7, 2015



Dave Yost • Auditor of State

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

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

To the Governing Board:

Report on Compliance for the Major Federal Program

We have audited the Buckeye Online School for Success's (the "School") compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Buckeye Online School for Success's major federal program for the year ended June 30, 2014. The *Summary of Auditor Results* in the accompanying schedule of findings identifies the School's major federal program.

Management's Responsibility

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for the School's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on the Major Federal Program

In our opinion, the Buckeye Online School for Success complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 7, 2015

**BUCKEYE ONLINE SCHOOL FOR SUCCESS
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list):	Special Education (CFDA #84.027)
<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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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
MARCH 10, 2015**