

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2013*

GREGORY SCIOLA, TREASURER



Dave Yost • Auditor of State

Board of Education
Joseph Badger Local School District
7110 State Route 7
Kinsman, Ohio 44428

We have reviewed the *Independent Auditor's Report* of the Joseph Badger Local School District, Trumbull County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Joseph Badger Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 10, 2014

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**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Joseph Badger Local School District
Trumbull County
7110 State Route 7
Kinsman, Ohio 44428

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Joseph Badger Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Joseph Badger Local School District'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 Joseph Badger Local School District'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 Joseph Badger Local School District'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Joseph Badger Local School District, Trumbull County, Ohio, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Board of Education
Joseph Badger Local School District

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 Joseph Badger Local School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") 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 the Schedule 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 December 11, 2013, on our consideration of the Joseph Badger Local School District'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 Joseph Badger Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 11, 2013

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The discussion and analysis of Joseph Badger Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District'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 District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- ❑ Net position of governmental activities decreased in fiscal year 2013 from annual depreciation of capital assets offset by the continued principal payments on outstanding debt obligations.
- ❑ Governmental activities reflected an overall decrease in revenues from fiscal year 2012 from a decrease in grant program revenue being received as federal award programs concluded.
- ❑ Total program expenses for fiscal year 2013 decreased from the previous fiscal year, largely due to decreases in regular instruction due to employees retiring within the School District and being replaced with entry level personnel.

Using this Annual Financial Report

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 Joseph Badger Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Joseph Badger Local School District, the general fund and the bond retirement debt service fund are by far the most significant funds.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes 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 District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District's activities are classified as governmental and business-type. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services and extracurricular activities.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds The Board of Education charges students a fee for school lunches. The money collected locally combined with State and Federal reimbursements, is intended to defray all expenses necessary to operate the food service program. Each month the Board reviews food service fund projections to judge how much negative impact will be placed on the general fund. The School District also has a preschool program where tuition is paid for children to attend. Additionally, the

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

School District operates a dental fund designed to defray unforeseen healthcare expenses. It is the School District's belief that these funds provide additional stability to the five year forecast. Proprietary funds utilize the same form of accounting as business-type activities, therefore these statements match those found in the district-wide statements.

The School District as a Trustee

The School District is a trustee or fiduciary for two funds. One of these funds holds and invests the principal amount and provides the earnings in the form of a scholarship for graduating seniors. The other fund accounts for money collected for student activities. There is no School District related activity occurring within these funds.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012:

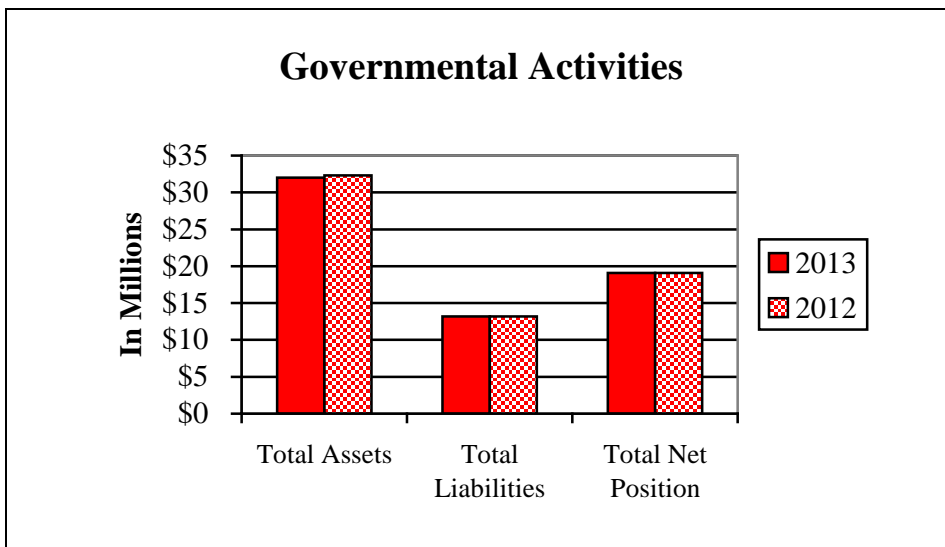
Table 1
 Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$7,532,432	\$6,982,218	\$84,485	\$83,708	\$7,616,917	\$7,065,926
Capital Assets, Net	23,656,373	24,779,891	171,373	168,390	23,827,746	24,948,281
<i>Total Assets</i>	<u>31,188,805</u>	<u>31,762,109</u>	<u>255,858</u>	<u>252,098</u>	<u>31,444,663</u>	<u>32,014,207</u>
Deferred Outflows of Resources	<u>500,036</u>	<u>527,065</u>	<u>0</u>	<u>0</u>	<u>500,036</u>	<u>527,065</u>
Liabilities						
Current and Other Liabilities	740,971	786,285	21,679	27,797	762,650	814,082
Long-Term Liabilities:						
Due Within One Year	622,109	693,525	7,556	6,849	629,665	700,374
Due in More Than One Year	8,438,653	8,196,337	6,714	4,768	8,445,367	8,201,105
<i>Total Liabilities</i>	<u>9,801,733</u>	<u>9,676,147</u>	<u>35,949</u>	<u>39,414</u>	<u>9,837,682</u>	<u>9,715,561</u>
Deferred Inflows of Resources	<u>3,440,332</u>	<u>3,492,254</u>	<u>0</u>	<u>0</u>	<u>3,440,332</u>	<u>3,492,254</u>
Net Position						
Net Investment in Capital Assets	16,323,080	17,071,623	171,373	168,390	16,494,453	17,240,013
Restricted for:						
Capital Projects	522,619	448,448	0	0	522,619	448,448
Debt Service	448,819	532,090	0	0	448,819	532,090
Set Asides	0	33,356	0	0	0	33,356
Other Purposes	99,998	93,148	0	0	99,998	93,148
Unrestricted	1,052,260	942,108	48,536	44,294	1,100,796	986,402
<i>Total Net Position</i>	<u>\$18,446,776</u>	<u>\$19,120,773</u>	<u>\$219,909</u>	<u>\$212,684</u>	<u>\$18,666,685</u>	<u>\$19,333,457</u>

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Graph 1
Net Position
(In Millions)

	2013	2012
Total Assets and Deferred Outflows of Resources	\$31.7	\$32.3
Total Liabilities and Deferred Inflows of Resources	13.2	13.2
Total Net Position	\$18.5	\$19.1



Total assets for the School District decreased in large part from annual depreciation in capital assets.

Total liabilities slightly increased from the prior fiscal year from increases in accreted interest on capital appreciation bonds along with an increase to compensated absences due to more employees being eligible to retire.

The vast majority of revenue supporting all activities is general revenue. The most significant portion of the general revenue is the grants and entitlements not restricted to specific programs. Joseph Badger proactively seeks out Federal and State funding sources in the forms of grants to ensure that programs of the School District are properly funded. The remaining source of revenue lies in program revenues which are restricted in use to a specific program.

In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2013 and 2012.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

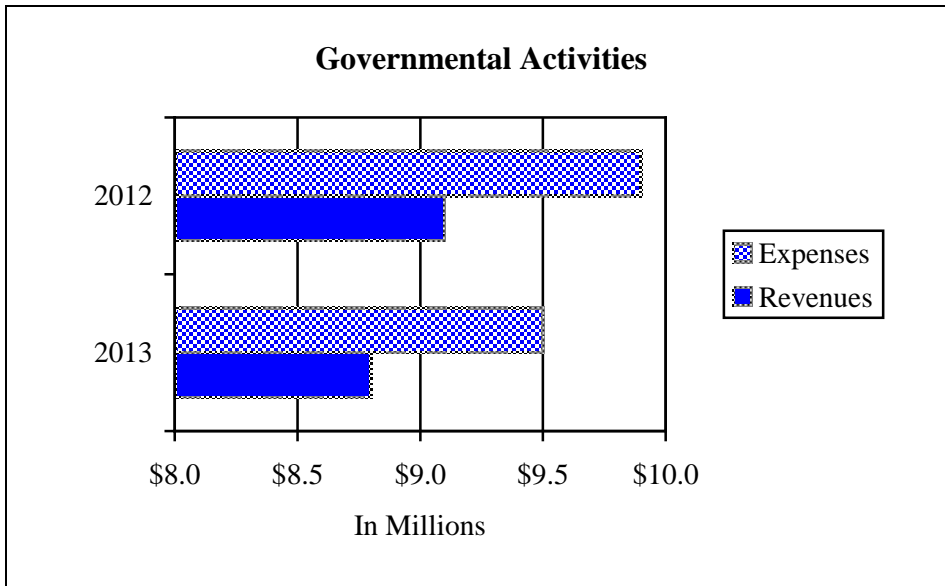
Table 2
 Program Revenues and Expenses

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues						
Charges for Services and Sales	\$325,819	\$418,392	\$185,647	\$208,877	\$511,466	\$627,269
Operating Grants and Contributions	478,258	654,826	228,879	238,554	707,137	893,380
<i>Total Program Revenues</i>	<u>804,077</u>	<u>1,073,218</u>	<u>414,526</u>	<u>447,431</u>	<u>1,218,603</u>	<u>1,520,649</u>
General revenues						
Property Taxes	3,396,285	3,378,848	0	0	3,396,285	3,378,848
Grants and Entitlements not Restricted to Specific Programs	4,620,694	4,599,396	0	0	4,620,694	4,599,396
Investment Earnings	5,809	5,979	0	0	5,809	5,979
Gain on Sale of Capital Assets	2,500	4,921	0	0	2,500	4,921
Miscellaneous	63	768	0	0	63	768
<i>Total General Revenues</i>	<u>8,025,351</u>	<u>7,989,912</u>	<u>0</u>	<u>0</u>	<u>8,025,351</u>	<u>7,989,912</u>
<i>Total Revenues</i>	<u>8,829,428</u>	<u>9,063,130</u>	<u>414,526</u>	<u>447,431</u>	<u>9,243,954</u>	<u>9,510,561</u>
Program Expenses						
Instruction:						
Regular	4,196,184	4,567,162	0	0	4,196,184	4,567,162
Special	795,564	748,381	0	0	795,564	748,381
Vocational	50,680	48,457	0	0	50,680	48,457
Student Intervention Services	69,934	80,989	0	0	69,934	80,989
Support Services:						
Pupil	304,603	408,182	0	0	304,603	408,182
Instructional Staff	94,080	89,150	0	0	94,080	89,150
Board of Education	43,967	48,482	0	0	43,967	48,482
Administration	679,347	703,266	0	0	679,347	703,266
Fiscal	362,970	345,436	0	0	362,970	345,436
Operation and Maintenance of Plant	730,358	775,672	0	0	730,358	775,672
Pupil Transportation	787,209	851,474	0	0	787,209	851,474
Central	115,664	127,289	0	0	115,664	127,289
Operation of Non-Instructional Services	544,370	416,284	0	0	544,370	416,284
Extracurricular Activities	251,167	260,480	0	0	251,167	260,480
Interest and Fiscal Charges	477,328	463,520	0	0	477,328	463,520
Food Service	0	0	376,462	416,031	376,462	416,031
Pre-Kindergarten	0	0	30,839	26,306	30,839	26,306
<i>Total Program Expenses</i>	<u>9,503,425</u>	<u>9,934,224</u>	<u>407,301</u>	<u>442,337</u>	<u>9,910,726</u>	<u>10,376,561</u>
<i>Change in Net Position</i>	(673,997)	(871,094)	7,225	5,094	(666,772)	(866,000)
<i>Net Position Beginning of Year</i>	<u>19,120,773</u>	<u>19,991,867</u>	<u>212,684</u>	<u>207,590</u>	<u>19,333,457</u>	<u>20,199,457</u>
<i>Net Position End of Year</i>	<u>\$18,446,776</u>	<u>\$19,120,773</u>	<u>\$219,909</u>	<u>\$212,684</u>	<u>\$18,666,685</u>	<u>\$19,333,457</u>

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Graph 2
Governmental Revenues and Expenses
(In Millions)

	2013	2012
Revenues	\$8.8	\$9.1
Expenses	9.5	9.9



Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements.

Interest and fiscal charges increased from the prior fiscal year which is the result of the School District's continued payments on outstanding debt obligations approved by the residents of the School District to fund capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$5,112,362	\$4,528,475	\$5,444,989	\$4,661,730
Support Services:				
Pupil and Instructional Staff	398,683	380,403	497,332	470,905
Board of Education, Administration, and Fiscal	1,086,284	1,045,566	1,097,184	1,048,575
Operation and Maintenance of Plant	730,358	680,452	775,672	716,979
Pupil Transportation	787,209	760,753	851,474	817,066
Central	115,664	106,083	127,289	116,927
Operation of Non-Instructional Services	544,370	523,697	416,284	397,611
Extracurricular Activities	251,167	196,591	260,480	167,693
Interest and Fiscal Charges	477,328	477,328	463,520	463,520
<i>Total</i>	<u>\$9,503,425</u>	<u>\$8,699,348</u>	<u>\$9,934,224</u>	<u>\$8,861,006</u>

The dependence upon general revenues for governmental activities is apparent as they account for 84.45 percent of the total cost of services in fiscal year 2013. This amount was 80.43 percent in 2012. The community, as a whole, is by far the primary support for Joseph Badger Local School District students.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The School District's Funds

Information about the School District's major funds begins on page 18. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due mainly to reductions in regular instruction expenditures. The bond retirement fund had a decrease in fund balance due to the continuation of the payment of debt obligations which are partially offset by the continuation of receiving property tax and grant revenues.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2013, the School District amended its general fund by a small percentage. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, the final budget basis revenue was lower than the original budget estimate. The change was attributed to decreases in estimates for revenues due to the overall poor economy. Actual expenditures are the same as the final budget amount. The School District's unencumbered ending cash balance totaled \$2,473,629.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2013 balances compared to fiscal 2012:

Table 4
 Capital Assets at June 30
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$528,682	\$528,682	\$0	\$0	\$528,682	\$528,682
Land Improvements	2,879,386	3,091,943	0	0	2,879,386	3,091,943
Buildings and Improvements	19,138,939	19,899,100	0	0	19,138,939	19,899,100
Furniture and Equipment	752,045	802,639	171,373	168,390	923,418	971,029
Vehicles	310,361	400,940	0	0	310,361	400,940
Textbooks	46,960	56,587	0	0	46,960	56,587
<i>Total Capital Assets</i>	<u>\$23,656,373</u>	<u>\$24,779,891</u>	<u>\$171,373</u>	<u>\$168,390</u>	<u>\$23,827,746</u>	<u>\$24,948,281</u>

For fiscal year 2013, capital assets decreased due to depreciation exceeding additions of a new watering system, window washing and high jump equipment, and textbooks to capital assets. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Debt

At June 30, 2013 the School District had general obligation bonds outstanding. Table 5 summarizes the outstanding debt.

Table 5
 Outstanding Debt at Fiscal Year End
 Governmental Activities

	2013	2012
2003 New School Construction		
Serial Bonds	\$335,000	\$665,000
Capital Appreciation Bonds	99,993	99,993
Accretion on Capital Appreciation Bonds	571,965	455,748
Unamortized Premium	54,620	68,275
2012 Various Purpose Refunding Bonds		
Serial Bonds	6,405,000	6,550,000
Term Bonds	300,000	300,000
Capital Appreciation Bonds	24,997	24,997
Accretion on Capital Appreciation Bonds	27,930	4,801
Unamortized Premium	613,719	646,893
<i>Total</i>	\$8,433,224	\$8,815,707

The School District's overall legal debt margin increased to \$2.35 million. See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

School District Outlook

The State of Ohio continues to place pressure on the resources of local districts through funding cuts. Moving to a single new building resulted in operational efficiencies that offset future revenue cuts from the State.

The School District is determined to do all that it can to remain solvent and to avoid passing a new levy. The School District currently has two emergency levies. This levy position is precarious because these levies require voter approval at the end of their ten year lives and also because the dollar amount is fixed and does not compensate for inflation. The Board has discussed several alternative tax strategies.

We are dependent on outside factors for our future success. The Ohio School Funding Formula provides most of the revenue for Joseph Badger Local Schools. While a substantial increase in the State's financial efforts would be justified and welcomed, our five year forecasts do not take this possibility into account.

Joseph Badger Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

The health care insurance consortium to which Joseph Badger belongs has a reasonable cash balance. Health care costs containment has become a large issue for the future. Management negotiated a contract that will require employee contributions, increased office co-pays, increased drug co-pays and higher deductibles. Additionally, employees were required to have their spouses take single coverage if they were eligible at a reasonable cost of below \$100 per month. This ensures that the claims of spouses stay with the responsible employer.

Joseph Badger Local School District has eight teachers approaching retirement. Often if a senior teacher retires, they are replaced at a much lower cost. This will have a positive effect on School District finances.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Gregory Sciola, Treasurer at Joseph Badger Local School District, 7110 St. Rt. 7, Kinsman, Ohio 44428 or call (330) 876-2812 or e-mail Gregory.Sciola@Neomin.org.

Basic Financial Statements

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Joseph Badger Local School District

Statement of Net Position

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,689,436	\$74,951	\$3,764,387
Accounts Receivable	0	9,534	9,534
Intergovernmental Receivable	33,287	0	33,287
Accrued Interest Receivable	2,324	0	2,324
Property Taxes Receivable	3,807,385	0	3,807,385
Nondepreciable Capital Assets	528,682	0	528,682
Depreciable Capital Assets, Net	23,127,691	171,373	23,299,064
<i>Total Assets</i>	<u>31,188,805</u>	<u>255,858</u>	<u>31,444,663</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	500,036	0	500,036
Liabilities			
Accounts Payable	28,079	5,277	33,356
Accrued Wages and Benefits	541,456	14,760	556,216
Matured Compensated Absences Payable	6,072	0	6,072
Intergovernmental Payable	120,368	1,642	122,010
Accrued Interest Payable	39,489	0	39,489
Claims Payable	5,507	0	5,507
Long-Term Liabilities:			
Due Within One Year	622,109	7,556	629,665
Due In More Than One Year	8,438,653	6,714	8,445,367
<i>Total Liabilities</i>	<u>9,801,733</u>	<u>35,949</u>	<u>9,837,682</u>
Deferred Inflows of Resources			
Property Taxes	3,440,332	0	3,440,332
Net Position			
Net Investment in Capital Assets	16,323,080	171,373	16,494,453
Restricted for:			
Capital Projects	522,619	0	522,619
Debt Service	448,819	0	448,819
Other Purposes	99,998	0	99,998
Unrestricted	1,052,260	48,536	1,100,796
<i>Total Net Position</i>	<u>\$18,446,776</u>	<u>\$219,909</u>	<u>\$18,666,685</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2013

	Program Revenues		
Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities			
Instruction:			
Regular	\$4,196,184	\$122,106	\$48,028
Special	795,564	16,378	392,806
Vocational	50,680	1,913	0
Student Intervention Services	69,934	2,656	0
Support Services:			
Pupil	304,603	11,568	0
Instructional Staff	94,080	3,340	3,372
Board of Education	43,967	1,627	0
Administration	679,347	25,756	0
Fiscal	362,970	13,335	0
Operation and Maintenance of Plant	730,358	23,789	26,117
Pupil Transportation	787,209	26,456	0
Central	115,664	4,181	5,400
Operation of Non-Instructional Services	544,370	20,673	0
Extracurricular Activities	251,167	52,041	2,535
Interest and Fiscal Charges	477,328	0	0
	Total Governmental Activities	325,819	478,258
	9,503,425	325,819	478,258
Business-Type Activities			
Food Service	376,462	158,092	228,879
Pre-Kindergarten	30,839	27,555	0
	Total Business-Type Activities	185,647	228,879
	407,301	185,647	228,879
	Totals	\$511,466	\$707,137
	\$9,910,726	\$511,466	\$707,137

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted

to Specific Programs

Investment Earnings

Gain on Sale of Capital Assets

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activity	Total
(\$4,026,050)	\$0	(\$4,026,050)
(386,380)	0	(386,380)
(48,767)	0	(48,767)
(67,278)	0	(67,278)
(293,035)	0	(293,035)
(87,368)	0	(87,368)
(42,340)	0	(42,340)
(653,591)	0	(653,591)
(349,635)	0	(349,635)
(680,452)	0	(680,452)
(760,753)	0	(760,753)
(106,083)	0	(106,083)
(523,697)	0	(523,697)
(196,591)	0	(196,591)
(477,328)	0	(477,328)
<u>(8,699,348)</u>	<u>0</u>	<u>(8,699,348)</u>
0	10,509	10,509
<u>0</u>	<u>(3,284)</u>	<u>(3,284)</u>
0	7,225	7,225
<u>(8,699,348)</u>	<u>7,225</u>	<u>(8,692,123)</u>
2,830,951	0	2,830,951
521,630	0	521,630
43,704	0	43,704
4,620,694	0	4,620,694
5,809	0	5,809
2,500	0	2,500
<u>63</u>	<u>0</u>	<u>63</u>
<u>8,025,351</u>	<u>0</u>	<u>8,025,351</u>
(673,997)	7,225	(666,772)
<u>19,120,773</u>	<u>212,684</u>	<u>19,333,457</u>
<u>\$18,446,776</u>	<u>\$219,909</u>	<u>\$18,666,685</u>

Joseph Badger Local School District

Balance Sheet

Governmental Funds

June 30, 2013

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,609,642	\$431,008	\$621,569	\$3,662,219
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	3,418	0	0	3,418
Property Taxes Receivable	3,163,480	594,122	49,783	3,807,385
Accrued Interest Receivable	2,324	0	0	2,324
Intergovernmental Receivable	21,757	0	11,530	33,287
<i>Total Assets</i>	<u>\$5,800,621</u>	<u>\$1,025,130</u>	<u>\$682,882</u>	<u>\$7,508,633</u>
Liabilities				
Accounts Payable	\$26,647	\$0	\$1,432	\$28,079
Accrued Wages and Benefits	527,035	0	14,421	541,456
Intergovernmental Payable	117,523	0	2,845	120,368
Matured Compensated Absences Payable	6,072	0	0	6,072
<i>Total Liabilities</i>	<u>677,277</u>	<u>0</u>	<u>18,698</u>	<u>695,975</u>
Deferred Inflows of Resources				
Property Taxes	2,858,525	536,822	44,985	3,440,332
Unavailable Revenue	289,597	54,414	16,087	360,098
<i>Total Deferred Inflows of Resources</i>	<u>3,148,122</u>	<u>591,236</u>	<u>61,072</u>	<u>3,800,430</u>
Fund Balances				
Nonspendable	3,418	0	0	3,418
Restricted	0	433,894	603,205	1,037,099
Committed	84,882	0	0	84,882
Assigned	40,337	0	0	40,337
Unassigned (Deficit)	1,846,585	0	(93)	1,846,492
<i>Total Fund Balances</i>	<u>1,975,222</u>	<u>433,894</u>	<u>603,112</u>	<u>3,012,228</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,800,621</u>	<u>\$1,025,130</u>	<u>\$682,882</u>	<u>\$7,508,633</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2013*

Total Governmental Fund Balances	\$3,012,228
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Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,656,373
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent Property Taxes	348,568
Intergovernmental	<u>11,530</u>

Total	360,098
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An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	18,292
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(39,489)
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Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(8,433,224)
Compensated Absences	(627,538)
Deferred Charge on Refunding	<u>500,036</u>

Total	<u>(8,560,726)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$18,446,776</u></u>
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See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,876,810	\$533,865	\$44,412	\$3,455,087
Intergovernmental	4,501,978	118,716	478,805	5,099,499
Interest	5,809	0	0	5,809
Tuition and Fees	266,473	0	0	266,473
Extracurricular Activities	11,253	0	34,670	45,923
Contributions and Donations	8,028	0	2,535	10,563
Charges for Services	13,423	0	0	13,423
Miscellaneous	63	0	0	63
<i>Total Revenues</i>	<u>7,683,837</u>	<u>652,581</u>	<u>560,422</u>	<u>8,896,840</u>
Expenditures				
Current:				
Instruction:				
Regular	3,150,545	0	38,534	3,189,079
Special	428,305	0	363,550	791,855
Vocational	48,474	0	0	48,474
Student Intervention Services	69,934	0	0	69,934
Support Services:				
Pupil	303,539	0	0	303,539
Instructional Staff	87,267	0	3,859	91,126
Board of Education	43,967	0	0	43,967
Administration	674,032	0	0	674,032
Fiscal	346,094	10,759	894	357,747
Operation and Maintenance of Plant	628,927	0	87,235	716,162
Pupil Transportation	696,045	0	0	696,045
Central	110,093	0	5,400	115,493
Operation of Non-Instructional Services	544,370	0	0	544,370
Extracurricular Activities	171,229	0	49,588	220,817
Capital Outlay	0	0	5,730	5,730
Debt Service:				
Principal Retirement	0	475,000	0	475,000
Interest and Fiscal Charges	0	218,957	0	218,957
<i>Total Expenditures</i>	<u>7,302,821</u>	<u>704,716</u>	<u>554,790</u>	<u>8,562,327</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>381,016</u>	<u>(52,135)</u>	<u>5,632</u>	<u>334,513</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	2,500	0	0	2,500
Transfers In	0	0	88,379	88,379
Transfers Out	(88,379)	0	0	(88,379)
<i>Total Other Financing Sources (Uses)</i>	<u>(85,879)</u>	<u>0</u>	<u>88,379</u>	<u>2,500</u>
<i>Net Change in Fund Balances</i>	295,137	(52,135)	94,011	337,013
<i>Fund Balances Beginning of Year</i>	<u>1,680,085</u>	<u>486,029</u>	<u>509,101</u>	<u>2,675,215</u>
<i>Fund Balances End of Year</i>	<u>\$1,975,222</u>	<u>\$433,894</u>	<u>\$603,112</u>	<u>\$3,012,228</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds \$337,013

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	28,187
Current Year Depreciation	<u>(1,151,705)</u>

Total	(1,123,518)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(58,802)
Intergovernmental	<u>(11,110)</u>

Total	(69,912)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 475,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	(138,825)
Amortization of Deferred Charges on Refunding	(27,029)
Amortization of Premium on Bonds	46,829
Bond Accretion	<u>(139,346)</u>

Total	(258,371)
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (26,318)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (7,891)

Change in Net Position of Governmental Activities (\$673,997)

See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$2,874,207	\$2,874,207	\$2,874,207	\$0
Intergovernmental	4,486,055	4,486,055	4,486,055	0
Interest	5,728	5,728	5,728	0
Tuition and Fees	266,473	266,473	266,473	0
Contributions and Donations	8,028	8,028	8,028	0
Charges for Services	13,423	13,423	13,423	0
Miscellaneous	85,808	63	63	0
<i>Total Revenues</i>	<i>7,739,722</i>	<i>7,653,977</i>	<i>7,653,977</i>	<i>0</i>
Expenditures				
Current:				
Instruction:				
Regular	3,354,677	3,208,148	3,208,148	0
Special	368,237	427,481	427,481	0
Vocational	55,875	48,192	48,192	0
Student Intervention Services	79,065	69,934	69,934	0
Support Services:				
Pupil	408,137	316,322	316,322	0
Instructional Staff	94,375	87,289	87,289	0
Board of Education	67,855	44,538	44,538	0
Administration	704,025	677,101	677,101	0
Fiscal	309,027	341,035	341,035	0
Operation and Maintenance of Plant	665,170	646,992	646,992	0
Pupil Transportation	780,380	771,082	771,082	0
Central	128,310	109,392	109,392	0
Operation of Non-Instructional Services	450,500	544,370	544,370	0
Extracurricular Activities	171,425	164,182	164,182	0
<i>Total Expenditures</i>	<i>7,637,058</i>	<i>7,456,058</i>	<i>7,456,058</i>	<i>0</i>
<i>Excess of Revenues Over Expenditures</i>	<i>102,664</i>	<i>197,919</i>	<i>197,919</i>	<i>0</i>
Other Financing Uses				
Sale of Capital Assets	2,500	2,500	2,500	0
Transfers Out	0	(88,379)	(88,379)	0
<i>Total Other Financing Sources (Uses)</i>	<i>2,500</i>	<i>(85,879)</i>	<i>(85,879)</i>	<i>0</i>
<i>Net Change in Fund Balance</i>	<i>105,164</i>	<i>112,040</i>	<i>112,040</i>	<i>0</i>
<i>Fund Balance Beginning of Year</i>	<i>2,360,260</i>	<i>2,360,260</i>	<i>2,360,260</i>	<i>0</i>
Prior Year Encumbrances Appropriated	1,329	1,329	1,329	0
<i>Fund Balance End of Year</i>	<i>\$2,466,753</i>	<i>\$2,473,629</i>	<i>\$2,473,629</i>	<i>\$0</i>

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Fund Net Position

Proprietary Funds

June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activity - Internal Service Fund
	Food Service	Pre - Kindergarten	Total Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$71,978	\$2,973	\$74,951	\$23,799
Accounts Receivable	9,534	0	9,534	0
Depreciable Capital Assets, Net	171,373	0	171,373	0
<i>Total Assets</i>	<u>252,885</u>	<u>2,973</u>	<u>255,858</u>	<u>23,799</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	5,277	0	5,277	0
Accrued Wages and Benefits	14,760	0	14,760	0
Intergovernmental Payable	1,642	0	1,642	0
Claims Payable	0	0	0	5,507
Compensated Absences Payable	7,556	0	7,556	0
<i>Total Current Liabilities</i>	<u>29,235</u>	<u>0</u>	<u>29,235</u>	<u>5,507</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	6,714	0	6,714	0
<i>Total Liabilities</i>	<u>35,949</u>	<u>0</u>	<u>35,949</u>	<u>5,507</u>
Net Position				
Investment in Capital Assets	171,373	0	171,373	0
Unrestricted	45,563	2,973	48,536	18,292
<i>Total Net Position</i>	<u>\$216,936</u>	<u>\$2,973</u>	<u>\$219,909</u>	<u>\$18,292</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013*

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activity - Internal Service Fund
	<u>Food Service</u>	<u>Pre - Kindergarten</u>	<u>Total Enterprise Funds</u>	
Operating Revenues				
Charges for Services	\$158,092	\$27,555	\$185,647	\$43,321
Operating Expenses				
Salaries	112,920	26,351	139,271	0
Fringe Benefits	63,672	4,071	67,743	0
Purchased Services	4,016	0	4,016	6,117
Materials and Supplies	178,536	417	178,953	0
Claims	0	0	0	45,095
Depreciation	17,069	0	17,069	0
Other	249	0	249	0
<i>Total Operating Expenses</i>	<u>376,462</u>	<u>30,839</u>	<u>407,301</u>	<u>51,212</u>
<i>Operating Loss</i>	(218,370)	(3,284)	(221,654)	(7,891)
Non-Operating Revenue				
Federal and State Grants	228,879	0	228,879	0
<i>Change in Net Position</i>	10,509	(3,284)	7,225	(7,891)
<i>Net Position Beginning of Year</i>	<u>206,427</u>	<u>6,257</u>	<u>212,684</u>	<u>26,183</u>
<i>Net Position End of Year</i>	<u>\$216,936</u>	<u>\$2,973</u>	<u>\$219,909</u>	<u>\$18,292</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Food Service</u>	<u>Pre - Kindergarten</u>	<u>Total Enterprise Funds</u>	<u>Activity - Internal Service Fund</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$154,710	\$27,555	\$182,265	\$0
Cash Received from Interfund Services	0	0	0	43,321
Cash Payments to Employees for Services	(114,729)	(26,351)	(141,080)	0
Cash Payments for Employee Benefits	(64,740)	(4,071)	(68,811)	0
Cash Payments to Suppliers for Goods and Services	(183,140)	(417)	(183,557)	(6,117)
Cash Payments for Claims	0	0	0	(44,885)
Other Cash Payments	(249)	0	(249)	0
<i>Net Cash Used for Operating Activities</i>	(208,148)	(3,284)	(211,432)	(7,681)
<i>Cash Flows from Noncapital Financing Activities</i>				
Federal and State Grants Received	228,879	0	228,879	0
<i>Cash Flows from Capital and Related Financing Activities</i>				
Acquisition of Capital Assets	(20,052)	0	(20,052)	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	679	(3,284)	(2,605)	(7,681)
<i>Cash and Cash Equivalents Beginning of Year</i>	71,299	6,257	77,556	31,480
<i>Cash and Cash Equivalents End of Year</i>	\$71,978	\$2,973	\$74,951	\$23,799
Reconciliation of Operating Loss to Net Cash Used for Operating Activities				
Operating Loss	(\$218,370)	(\$3,284)	(\$221,654)	(\$7,891)
Adjustments:				
Depreciation	17,069	0	17,069	0
Increase in Accounts Receivable	(3,382)	0	(3,382)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(588)	0	(588)	0
Accrued Wages	(2,689)	0	(2,689)	0
Compensated Absences Payable	2,653	0	2,653	0
Matured Compensated Absences Payable	(937)	0	(937)	0
Intergovernmental Payable	(1,904)	0	(1,904)	0
Claims Payable	0	0	0	210
<i>Total Adjustments</i>	10,222	0	10,222	210
<i>Net Cash Used for Operating Activities</i>	(\$208,148)	(\$3,284)	(\$211,432)	(\$7,681)

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$24,790	<u>\$16,075</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$16,075</u>
Net Position		
Held in Trust for Scholarships	<u>\$24,790</u>	

See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2013

	Scholarship
Additions	
Interest	\$882
Deductions	
Scholarships Awarded	1,000
<i>Change in Net Position</i>	(118)
<i>Net Position Beginning of Year</i>	24,908
<i>Net Position End of Year</i>	\$24,790

See accompanying notes to the basic financial statements

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 1 - Description of the School District and Reporting Entity

Joseph Badger Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by thirty classified employees, forty-seven certified full-time teaching personnel, and five administrators who provide services to 904 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in four jointly governed organizations and three public entity risk pools and is associated with a related organization. These organizations are presented in Notes 18, 19 and 20 to the financial statements. These organizations are:

Jointly Governed Organizations:

- Trumbull County Career and Technical Center
- Northeast Ohio Management Information Network
- Trumbull Student Assistance Consortium
- Region 12 Professional Development Center

Public Entity Risk Pools:

- Ohio School Boards Association Workers' Compensation Group Rating Program
- Trumbull County Schools Employee Insurance Benefits Consortium
- Schools of Ohio Risk Sharing Authority

Related Organization:

- Kinsman Public Library

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The general fund is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – The bond retirement fund accounts for and reports property tax revenues that are restricted for payment of principal and interest and fiscal charges on general obligation debt.

The other governmental funds of the School District account for grants and other resources whose uses are restricted, committed or assigned to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District accounts for two enterprise funds. One for the financial transactions related to the food service operations of the School District. The other for the financial transactions related to the pre-kindergarten program which began in fiscal year 2009.

Internal Service Fund The internal service fund accounts for financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District utilizes an internal service fund to account for the operation of the School District's self insurance program for employee dental benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund which accounts for college scholarship donations for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student managed activities.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund 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 District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue matches actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to year end the Board of Education adopted appropriations which match actual expenditures plus encumbrances.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Cash and Cash Equivalents

Cash received by the School District is pooled for investment purposes. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2013, investments were limited to STAR Ohio and STAR Plus. Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$5,809, which includes \$1,668 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund are for unclaimed funds.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of twenty-five hundred dollars. The School District 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. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	50 years	N/A
Buildings and Improvements	50 years	N/A
Furniture and Equipment	5-20 years	5-20 years
Vehicles	10 years	N/A
Textbooks	5 years	N/A

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, instruction, support services and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for food service, pre-kindergarten and self insurance. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are received in the year the bonds are issued.

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

Note 3 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Unclaimed Monies	\$3,418	\$0	\$0	\$3,418
<i>Restricted for</i>				
Classroom Facilities Maintenance	0	0	43,269	43,269
Special Instruction	0	0	23,932	23,932
Athletics	0	0	13,385	13,385
Debt Service Payments	0	433,894	0	433,894
Capital Improvements	0	0	522,619	522,619
<i>Total Restricted</i>	0	433,894	603,205	1,037,099
<i>Committed to</i>				
Purchase of vehicle	84,882	0	0	84,882
<i>Assigned to</i>				
Purchases on Order	5,308	0	0	5,308
Public School Support	35,029	0	0	35,029
<i>Total Assigned</i>	40,337	0	0	40,337
<i>Unassigned (Deficit)</i>	1,846,585	0	(93)	1,846,492
<i>Total Fund Balances</i>	\$1,975,222	\$433,894	\$603,112	\$3,012,228

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balance	
GAAP Basis	\$295,137
Net Adjustment for Revenue Accruals	(17,493)
Net Adjustment for Expenditure Accruals	(60,088)
Perspective Difference:	
Public School Support	(1,114)
Encumbrances	<u>(104,402)</u>
Budget Basis	<u><u>\$112,040</u></u>

Note 5 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active deposits must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2013, the School District had investments in STAR Plus with a fair value of \$500,605 and STAR Ohio with a fair value of \$1,948,642 and a maturity of 57.5 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 6 – Accountability

At June 30, 2013, the miscellaneous federal grants special revenue fund had a deficit fund balance of \$93. This funds' deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides transfers when cash is required, rather than when accruals occur.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Public utility property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 become a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013 was \$15,358 in the general fund, \$242 in the classroom facilities maintenance special revenue fund and \$2,885 in the bond retirement debt service fund. The amount available as an advance at June 30, 2012 was \$12,755 in the general fund, \$200 in the classroom facilities maintenance special revenue fund, \$2,530 in the bond retirement debt service fund and \$4 in the permanent improvement capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$110,713,300	96.58 %	\$110,769,780	96.27 %
Public Utility Personal	3,915,100	3.42	4,288,950	3.73
Total	<u>\$114,628,400</u>	<u>100.00 %</u>	<u>\$115,058,730</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$40.80		\$40.40	

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 06/30/12	Additions	Deductions	Balance 06/30/13
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	528,682	\$0	\$0	528,682
<i>Capital Assets being Depreciated:</i>				
Land Improvements	4,260,070	0	0	4,260,070
Buildings and Improvements	24,071,333	0	0	24,071,333
Furniture and Equipment	1,295,020	14,381	0	1,309,401
Vehicles	1,064,591	0	(48,445)	1,016,146
Textbooks	667,993	13,806	(12,426)	669,373
<i>Total Capital Assets being Depreciated</i>	31,359,007	28,187	(60,871)	31,326,323
Less Accumulated Depreciation:				
Land Improvements	(1,168,127)	(212,557)	0	(1,380,684)
Buildings and Improvements	(4,172,233)	(760,161)	0	(4,932,394)
Furniture and Equipment	(492,381)	(64,975)	0	(557,356)
Vehicles	(663,651)	(90,579)	48,445	(705,785)
Textbooks	(611,406)	(23,433)	12,426	(622,413)
<i>Total Accumulated Depreciation</i>	(7,107,798)	(1,151,705) *	60,871	(8,198,632)
<i>Total Assets being Depreciated, Net</i>	24,251,209	(1,123,518)	0	23,127,691
<i>Governmental Activities Capital Assets, Net</i>	<u>\$24,779,891</u>	<u>(\$1,123,518)</u>	<u>\$0</u>	<u>\$23,656,373</u>
 Business-Type Activities				
Furniture and Equipment	256,261	\$20,052	\$0	\$276,313
Less Accumulated Depreciation	(87,871)	(17,069)	0	(104,940)
<i>Buisness-Type Activities Capital Assets, Net</i>	<u>\$168,390</u>	<u>\$2,983</u>	<u>\$0</u>	<u>\$171,373</u>

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$1,009,182
Special	756
Vocational	320
Support Services:	
Pupil	2,285
Administration	1,157
Fiscal	182
Operation and Maintenance of Plant	16,723
Pupil Transportation	90,579
Central	171
Extracurricular Activities	<u>30,350</u>
Total Depreciation Expense	<u><u>\$1,151,705</u></u>

Note 9 - Receivables

Receivables at June 30, 2013, consisted of taxes, intergovernmental, tuition, accrued interest, and rentals. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Intergovernmental receivables in the general fund consist of \$15,321 from the Bureau of Worker's Compensation and \$6,436 from the State Employees Retirement System as well as federal grant money in the title I special revenue fund in the amount of \$11,530, for a total intergovernmental receivable in the amount of \$33,287.

Note 10 - Pension Plans

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at 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 District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

remaining .90 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$118,963, \$124,432 and \$115,156 respectively. For fiscal year 2013, 98.00 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the combined plan were \$441,602 and \$0 for the fiscal year ended June 30, 2013, \$490,314 and \$45 for the fiscal year ended June 30, 2012, and \$494,138 and \$0 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83.77 percent has been contributed for the DB plan and the Combined Plan, respectively, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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*Notes to the Basic Financial Statements
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Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$5,792 made by the School District and \$4,137 made by the plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 11 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at 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 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$15,538 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$16,991, \$19,832 and \$28,437 respectively. For fiscal year 2013, 98.00 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$6,720, \$7,348 and \$7,411 respectively. For fiscal year 2013, 98.00 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

State Teachers Retirement System

Plan Description – The School District contributes to the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$33,969, \$37,716 and \$38,011 respectively. For 2013, 83.77 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2012 and 2011.

Note 12 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement. All employees who are eligible to retire receive a severance benefit upon retirement limited to twenty-five percent of accumulated sick leave. For classified employees the maximum pay out can be one full year salary. For certified employees and certain administrators, the maximum payout is determined by their individual contracts. Only employees with 10 years of service or more, with the School District, are paid for unused sick leave at termination or resignation.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Trumbull County Schools Employee Insurance Benefits Consortium at a cost of \$.105 per \$1,000 for the first \$50,000 and a rate that varies by age for amounts in excess of the first \$50,000. The coverage provided follows:

Joseph Badger Local School District

*Notes to the Basic Financial Statements
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<u>Class</u>	<u>Class Description</u>	<u>Amount of Coverage</u>	<u>Class</u>	<u>Class Description</u>	<u>Amount of Coverage</u>
I	Full Time Certified	\$50,000	VI	Classified Cafeteria Aide	\$12,500
II	Full Time Classified	25,000	VII	Half Day Custodial	12,500
III	Part Time Classified	25,000	VIII	Building Secretaries	25,000
IV	Treasurer	100,000	IX	Administrators	50,000
V	Half Day Classified	12,500	X	Superintendent	100,000

Note 13 – Interfund Transfers

The general fund transferred \$8,379 to the athletic special revenue fund to help fund athletic events and \$80,000 to the permanent improvement capital project fund to help fund capital projects.

Note 14 - Long-Term Obligations

Original issue amounts and interest rates of the School District’s debt issues were as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
2003 New School Construction			
Capital Appreciation Bonds	3.70%	\$99,993	2015-2017
Serial Bonds	2.00-3.90%	5,295,000	2014
2012 Various Purpose Refunding Bonds			
Serial Bonds	1.00-3.30%	6,550,000	2032
Term Bonds	1.00-1.30%	300,000	2014-2017
Capital Appreciation Bonds	67.815%	24,997	2018-2019

Joseph Badger Local School District

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Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Balance 6/30/12	Additions	Deductions	Balance 6/30/13	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2003 New School Construction					
Serial Bonds	\$665,000	\$0	\$330,000	\$335,000	\$335,000
Capital Appreciation Bonds	99,993	0	0	99,993	0
Accretion on Bonds	455,748	116,217	0	571,965	0
Unamortized Premium	68,275	0	13,655	54,620	0
Total 2003 New School Construction Bonds	1,289,016	116,217	343,655	1,061,578	335,000
2012 Various Purpose Refunding Bonds					
Serial Bonds	6,550,000	0	145,000	6,405,000	0
Term Bonds	300,000	0	0	300,000	75,000
Capital Appreciation Bonds	24,997	0	0	24,997	0
Accretion	4,801	23,129	0	27,930	0
Unamortized Premium	646,893	0	33,174	613,719	0
Total 2012 Various Purpose Refunding Bonds	7,526,691	23,129	178,174	7,371,646	75,000
Total General Obligation Bonds	8,815,707	139,346	521,829	8,433,224	410,000
<i>Other Long-Term Obligations</i>					
Compensated Absences	601,220	244,843	218,525	627,538	212,109
Total Governmental Activities	\$9,416,927	\$384,189	\$740,354	\$9,060,762	\$622,109
Business-Type Activities					
Compensated Absences	\$11,617	\$9,502	\$6,849	\$14,270	\$7,556

Compensated absences will be paid from the general fund and the food service enterprise fund.

On June 24, 2003, Joseph Badger Local School District issued \$9,999,993 in voted general obligation bonds, which included serial, term and capital appreciation bonds in the amounts of \$5,295,000, \$4,605,000 and \$99,993, respectively. As of June 30, 2012, the full amount of the term bonds and the majority of the serial bonds remaining outstanding were retired by the School District through an advance refunding. The general obligation bonds were issued to fund the construction of the new pre-kindergarten through grade twelve building. The bonds were issued for a twenty-eight year period with final maturity at December 1, 2031. The bonds will be retired from the debt service fund.

The maturity amount of outstanding 2003 capital appreciation bonds at June 30, 2012 is \$1,050,000. The capital appreciation bonds were originally sold at a discount of \$950,007, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2017. The accretion recorded for 2013 was \$116,217, for a total outstanding capital appreciation bond liability of \$671,958 at June 30, 2013.

The serial bonds will mature on December 1, 2013 in the amounts of \$335,000.

On April 19, 2012, the School District issued \$6,874,997 in general obligation refunding bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$6,550,000, \$300,000

Joseph Badger Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

and \$24,997, respectively. The general obligation refunding bonds were issued for the purpose of refunding a portion of the 2003 new school construction bonds to take advantage of lower interest rates. The bonds were issued for a twenty year period with a final maturity at December 1, 2031. The bonds will be retired from the debt service fund.

The maturity amount of outstanding 2012 capital appreciation bonds at June 30, 2012 is \$850,000. The capital appreciation bonds were originally sold at a discount of \$825,003, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2019. The accretion recorded for 2013 was \$23,129, for a total outstanding capital appreciation bond liability of \$52,927 at June 30, 2013.

The term bonds maturing on December 1, 2014 and 2016 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue	
	\$150,000	\$150,000
2014	\$75,000	\$0
2016	0	75,000
Total	\$75,000	\$75,000
<i>Stated Maturity</i>	<i>12/1/2014</i>	<i>12/1/2016</i>

The remaining principal amount of the term bonds (\$75,000 and \$75,000) will mature at the stated maturity.

The refunding bonds were sold at a premium of \$657,951. Net proceeds of \$7,411,075 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$6,875,000 of these bonds is considered defeased and the liability for the refund portion of these bonds has been removed from the School District's financial statements.

The School District's overall debt margin was \$2,353,071 with an unvoted debt margin of \$115,059 at June 30, 2013. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013 are as follows:

	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$335,000	\$442,024	\$75,000	\$181,620	\$0	\$0
2015	0	546,572	75,000	180,870	39,652	310,348
2016	0	551,626	75,000	180,007	32,945	317,055
2017	0	481,484	75,000	89,760	27,396	322,604
2018	0	178,545	0	0	16,181	413,819
2019-2023	2,210,000	979,160	0	0	8,816	411,184
2024-2028	2,510,000	504,377	0	0	0	0
2029-2032	1,685,000	112,092	0	0	0	0
Total	\$6,740,000	\$3,795,880	\$300,000	\$632,257	\$124,990	\$1,775,010

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 15 - Risk Management

Property and Liability

The School District 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 2013, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property and fleet insurance, liability insurance and inland marine coverage. Coverage provided by SORSA is as follows:

General Liability

Bodily Injury, Personal Injury, Products/Completed Operations	\$12,000,000
Fire Legal Liability.....	500,000
Employee Benefits Liability.....	12,000,000
Medical Payments (\$5,000 per accident)	1,000/person
General Liability Annual Aggregate.....	14,000,000

Educators' Legal Liability – Errors and Omissions (\$5,000 deductible)..... 1,000,000

Automobile Liability 50,000

Owned/Leased Vehicles includes Hired/Non-owned (no deductible)..... 12,000,000

Uninsured Motorists (no deductible)..... 50,000

Automobile Physical Damage (\$1,000 deductible)..... Actual Value

Property Insurance Limit (Replacement Cost with \$1,000 deductible)..... 36,479,323

Crime, Forgery, Computer Fraud, Theft, Disappearance, Destruction..... 100,000

Earthquake and Flood (\$100,000 deductible)..... 2,000,000

Unintentional Errors and Omissions..... 1,000,000

other property damage included (\$1,000 deductible)..... Various

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

Employee Health Benefits

The School District has contracted with Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

The School District elected to provide dental coverage benefits through a self-insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a dental plan with a \$75 family and \$25 single deductible. A third-party administrator, Self Funded Plans Inc., located in Cleveland, Ohio, reviews all dental claims which are then paid by the School District. The School District pays into the self-insurance internal service fund \$85.80 per family coverage and \$24.20 per single coverage per month for dental plan. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information.

The claims liability estimated by the third party administrator to be \$5,507 reported in the internal service fund at June 30, 2013 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which required that a liability for unpaid claims costs, including estimates of costs relating to incurred

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The change in the fund's claims liability amount for 2013 was:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2012	\$5,494	\$72,607	\$72,804	\$5,297
2013	5,297	45,095	44,885	5,507

Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

Note 16 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization.

The following cash basis information describes the changes in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by the State statute.

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	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Balance as of June 30, 2012	\$0	\$33,356
Prior Year Carryover	(7,639,990)	0
Current Year Set-aside Requirement	161,297	0
Qualifying Disbursements	<u>(73,302)</u>	<u>(33,356)</u>
Totals	<u>(\$7,551,995)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$7,164,990)</u>	<u>\$0</u>
Set-aside Balance as of June 30, 2013	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for capital acquisition set-asides. The negative balance being carried forward represents the still outstanding balance on the School District's Ohio Schools Facilities Commission bonds.

Note 17 - Contingencies

Grants

The School District 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 is 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

Litigation

The School District is not a party to any legal proceedings.

Note 18 – Jointly Governed Organizations

Trumbull County Career and Technical Center

The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of one representative from each of the fifteen participating school districts. The board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Joseph Badger Local School District students may attend the vocational school. The Trumbull County Career and Technical Center's Board exercises total control over the operations of the Trumbull County Career and Technical Center including budgeting, appropriation, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2013, no monies were paid to the Career and

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Technical Center. Financial information can be obtained from the Trumbull County Career and Technical Center, Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Northeast Ohio Management Information Network (NEOMIN)

The Northeast Ohio Management Information Network (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$18,800 to NEOMIN during fiscal year 2013.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members, the Trumbull and Ashtabula superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The School District was represented on the Governing Board by the Superintendent during fiscal year 2013. NEOMIN's Board exercises total control over the operations of NEOMIN including budgeting, appropriation, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained from the Trumbull County Educational Service Center, at 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Trumbull Student Assistance Consortium (TSAC)

The Trumbull Student Assistance Consortium (TSAC) is a jointly governed organization among sixteen school districts. The jointly governed organization was formed for the purpose of aiding each participating district in establishing an effective comprehensive alcohol, tobacco and other drug prevention/intervention program that will help make schools drug free. The School District did not make any contributions to the TSAC during fiscal year 2013.

TSAC is governed by an executive management council made up of five superintendents of the participating districts whose term rotates every year. TSAC's Board exercises total control over the operations of TSAC including budgeting, appropriation, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, at 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Region 12 Professional Development Center (Center)

The Region 12 Professional Development Center (Center) is a jointly governed organization among the school districts located in Trumbull, Mahoning, and Columbiana Counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvement in instructional programs. The School District did not make any contributions to the center during fiscal year 2013.

The center is governed by a board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University, whose term rotates every year. The Center's Board exercises total control over the operations of the center including budgeting, appropriation, contracting

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

and designating management. The degree of control exercised by any participating school district is limited to representation on the Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, at 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Note 19 – Public Entity Risk Pools

Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shared Risk Pools

The School District participates in the Trumbull County Schools Employee Insurance Benefits Consortium. It is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenue are generated from charges for services.

The School District also participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 65 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, underwriting, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain a copy of the SORSA financial statements, write SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Note 20 – Related Organization

The Kinsman Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Joseph Badger Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fire personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Kinsman Public Library, Debbie Messick, Fiscal Officer, at 6420 Church Street, Kinsman, Ohio 44428.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 21 – Change in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements, Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” , Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units’ presentation and certain disclosure requirements. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 22 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds		Proprietary Funds	
General	\$104,402	Other Enterprise Funds	<u>\$1,258</u>
Other Governmental Funds	<u>13,757</u>		
<i>Total Governmental</i>	<u>\$118,159</u>		

Note 23 – Subsequent Event

In July of 2013 the Ohio School Facilities Commission performed project closeout procedures on the Joseph Badger Local School District's building project fund. It was determined at this time that the Joseph Badger Local School District would owe the OSFC \$285,933. This amount was paid in fiscal year 2014 and is not reflected in the fiscal year 2013 financial statements.

SUPPLEMENTARY DATA

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C) (D) School Breakfast Program	10.553	2013	\$ 52,794	\$ 52,794
<i>Total School Breakfast Program</i>			<u>52,794</u>	<u>52,794</u>
(D) (E) National School Lunch Program	10.555	2013	147,549	147,549
(C) (D) National School Lunch Program - Food Donation	10.555	2013	17,300	17,300
<i>Total National School Lunch Program</i>			<u>164,849</u>	<u>164,849</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>217,643</u>	<u>217,643</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2012	22,640	28,903
Title I Grants to Local Educational Agencies	84.010	2013	202,978	162,005
<i>Total Title I Grants to Local Educational Agencies</i>			<u>225,618</u>	<u>190,908</u>
Special Education Grants to States	84.027	2013	178,298	178,298
Improving Teacher Quality State Grants	84.367	2013	43,372	43,372
Total U.S. Department of Education			<u>447,288</u>	<u>412,578</u>
Total Federal Financial Assistance			<u>\$ 664,931</u>	<u>\$ 630,221</u>
(A)	OAKS did not assign pass-through numbers for fiscal year 2013.			
(B)	This schedule was prepared on the cash basis of accounting.			
(C)	Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.			
(D)	Included as part of the "Child Nutrition Cluster" in determining major programs.			
(E)	The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.			



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and On
Compliance and Other Matters Required by *Government Auditing Standards***

Joseph Badger Local School District
Trumbull County
7110 State Route 7
Kinsman, Ohio 44428

To the Board of Education:

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Joseph Badger Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Joseph Badger Local School District's basic financial statements and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Joseph Badger Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Joseph Badger Local School District'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 Joseph Badger Local School District'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.

Board of Education
Joseph Badger Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Joseph Badger Local School District'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 Joseph Badger Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Joseph Badger Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 11, 2013



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Joseph Badger Local School District
Trumbull County
7110 State Route 7
Kinsman, Ohio 44428

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Joseph Badger Local School District's 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 Joseph Badger Local School District's major federal program for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Joseph Badger Local School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Joseph Badger Local School District's compliance for each of the Joseph Badger Local School District's major federal programs 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 Joseph Badger Local School District'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 Joseph Badger Local School District's major program. However, our audit does not provide a legal determination of the Joseph Badger Local School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Joseph Badger Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2013.

Board of Education
Joseph Badger Local School District

Report on Internal Control Over Compliance

The Joseph Badger Local School District'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 Joseph Badger Local School District'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 Joseph Badger Local School District'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.



Julian & Grube, Inc.
December 11, 2013

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education_Grants to States - CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2012-JBLSD-001	Misstatements in the financial statements were not initially identified by the District's internal control.	Yes	N/A



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Independent Accountants' Report on Applying Agreed-Upon Procedure

Joseph Badger Local School District
Trumbull County
7110 State Route 7
Kinsman, Ohio 44428

To the Board of Education:

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 the Joseph Badger Local School District 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 March 20, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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 is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 11, 2013



Dave Yost • Auditor of State

JOSEPH BADGER LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 23, 2014**