OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2013

Dave Yost • Auditor of State

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Oakstone Community School
Franklin County
5747 B Cleveland Ave
Columbus, Ohio 43231

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Oakstone Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oakstone Community School, Franklin County, Ohio, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2014

The discussion and analysis of the Oakstone Community School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position were $336,087 at June 30, 2013.
- The School had operating revenues of $7,316,545, operating expenses of $7,456,758 and non-operating revenues of $164,189 for fiscal year 2013. Total change in net position for the fiscal year was an increase of $23,976.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in that net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

The table below provides a summary of the School's assets, liabilities and net position for fiscal year 2013 and 2012.

Assets, Liabilities and Net Position

	2013	2012
Assets		
Current assets	$ 452,387	$ 456,797
Non-current assets, net	34,809	35,843
Total assets	487,196	492,640
Liabilities		
Current liabilities	100,307	145,225
Long term liabilities	50,802	35,304
Total liabilities	151,109	180,529
Net Position		
Net investment in Capital Assets	2,809	3,843
Restricted	32,000	32,000
Unrestricted	301,278	276,268
Total Net Position	$ 336,087	$ 312,111

Current Assets decreased in fiscal year 2012. Intergovernmental receivables decreased due to reduced federal funding. Prepaids increased slightly. The School's cash balance at June 30, 2013, was $421,970 an increase of $1,767 from 2012.

At June 30, 2013, capital assets represented less than 1% of total assets. Capital assets consisted of furniture and computer equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

Current liabilities decreased in fiscal year 2013 due to smaller accounts payable and intergovernmental payable offset by increased accrued wages. The decrease in accounts payable was due to a change in summer services resulting in no payable and less expenses related to litigation. The increase in accrued wages and decrease in intergovernmental payable were related to changes in staffing levels and the SERS surcharge.

The School's long term liabilities consist of compensated absences only. This liability increased due to leave balances accrued by the Superintendent and Fiscal Officer.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School's net position was $336,087 compared to $312,111 at June 30, 2012. The School's net position increased $23,976 during fiscal year 2013 primarily due to the increase in students served and related revenue.

The table below shows the changes in net position for fiscal year 2013 and 2012.

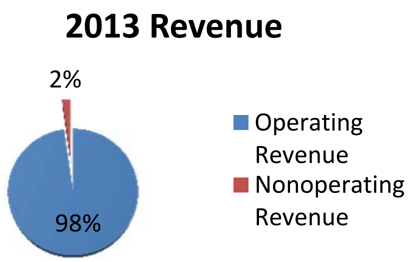
Change in Net Position

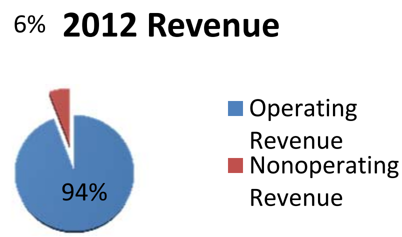
	2013	2012
Operating Revenues:		
State foundation	$ 7,316,545	$ 6,764,789
Other	-	33
Total operating revenue	7,316,545	6,764,822
Operating Expenses:		
Salaries and wages	925,554	844,285
Fringe benefits	252,896	238,949
Purchased services	6,247,891	6,120,752
Materials and supplies	26,536	22,264
Depreciation	1,034	7,899
Other	2,847	-
Total operating expenses	7,456,758	7,234,149
Non-operating Revenues:		
Federal and State grants	163,520	410,924
Donations	150	-
Interest income	519	307
Total non-operating revenues	164,189	411,231
Change in net position	23,976	(58,096)
Net position at beginning of year	312,111	370,207
Net position at end of year	$ 336,087	$ 312,111

State foundation revenue increased because enrollment for the School went from 231 students during fiscal year 2012 to 254 students during fiscal year 2013. Interest income increased slightly and the school received donations in 2013. Federal grant revenue decreased significantly due to the end of Federal Education Jobs Program offset by an increase in Title VI-B IDEA Special Education funding and the school starting to receive reimbursements through the Medicaid in Schools Program.

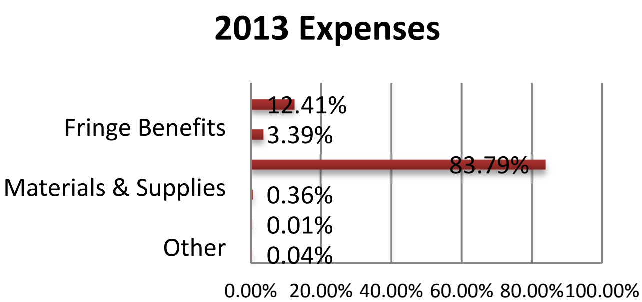
Salaries and wages and fringe benefits increased during 2013 due to salary increases. Purchased services increased due to general increases in costs and an increase in students placed out for services. Materials and supplies increased due to providing additional supplies for the classroom and also additional administrative supplies. Depreciation decreased as many of the schools capital assets were fully depreciated as of June 30, 2012. Other expenses were the refund of federal grants from prior years.

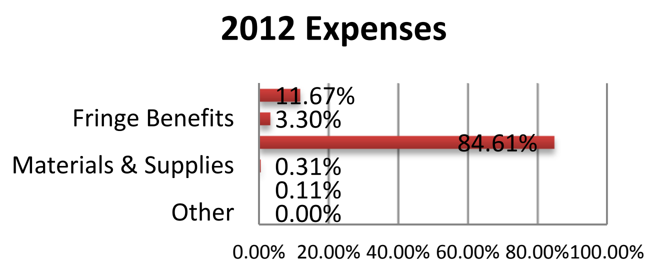
The charts below illustrate the revenues for the School during fiscal 2013 and 2012:





The charts below illustrate the expenses for the School during fiscal 2013 and 2012:





Capital Assets

At June 30, 2013, the School had $2,809 invested in furniture and computer equipment. Capital assets decreased a net of $1,034 in 2013. The School had disposals and also had $1,034 in depreciation expense for the year. The disposals were fully depreciated. See Note 5 to the basic financial statements for more detail on capital assets.

Debt Administration

The School had no debt outstanding during fiscal year 2013 or as of June 30, 2013.

Current Financial Related Activities

The School is sponsored by the Educational Service Center of Central Ohio. The School is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students. In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for other State and Federal funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Johanna Gladman, CPA, Fiscal Officer, Oakstone Community School, 5747 Cleveland Avenue, Columbus, Ohio 43231.

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:	
Current assets:	
Cash	$ 421,970
Intergovernmental Receivable	22,022
Prepaids	8,395
Total current assets	452,387
Non-current assets:	
Security deposit	32,000
Capital assets, net	2,809
Total non-current assets	34,809
Total assets	487,196
Liabilities:	
Current:	
Accounts payable	14,771
Accrued wages and benefits	59,881
Intergovernmental payable	25,655
Total current liabilities	100,307
Long-term liabilities:	
Compensated absences	50,802
Total liabilities	151,109
Net Position:	
Net Investment in Capital Assets	2,809
Restricted for:	
Security deposit	32,000
Unrestricted	301,278
Total Net Position	$ 336,087

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Operating revenues:	
State foundation	$ 7,316,545
Total operating revenues	7,316,545
Operating expenses:	
Salaries and wages	925,554
Fringe benefits	252,896
Purchased services	6,247,891
Materials and supplies	26,536
Depreciation	1,034
Other	2,847
Total operating expenses	7,456,758
Operating loss	(140,213)
Non-operating revenues:	
Federal and state grants	163,520
Donations	150
Interest income	519
Total non-operating revenues	164,189
Change in Net Position	23,976
Net Position at beginning of year	312,111
Net Position at end of year	$ 336,087

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

OAKSTONE COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from State foundation	$ 7,316,545
Cash payments for salaries and benefits	(1,162,016)
Cash payments to suppliers for goods and services	(6,298,063)
Cash payments for materials and supplies	(26,581)
Cash payments for other operating activities	(2,847)
Net cash used in operating activities	(172,962)
Cash flows from noncapital financing activities:	
Federal and state grants	174,060
Donations	150
Net cash provided by noncapital financing activities	174,210
Cash flows from investing activities:	
Interest received	519
Net cash provided by investing activities	519
Net increase in cash and cash equivalents	1,767
Cash and cash equivalents at beginning of year	420,203
Cash and cash equivalents at end of year	$ 421,970
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (140,213)
Adjustments:	
Depreciation	1,034
Changes in assets and liabilities:	
Increase in intergovernmental receivable	(3,354)
Increase in prepayments	(1,024)
Decrease in accounts payable	(47,136)
Increase in accrued wages and benefits	6,854
Decrease in intergovernmental payable	(4,621)
Increase in compensated absences payable	15,498
Net cash used in operating activities	$ (172,962)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL

The Oakstone Community School (the “School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School’s tax-exempt status. The School specializes in providing educational services to special needs children with Autism Spectrum Disorders. Specific activities in support of the School include general teaching, therapy and socialization activities. The School, which is part of the state’s education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School began operations on October 4, 2004. The School contracted with the Education Service Center of Central Ohio (the “Sponsor”) for a period of five years commencing July 1, 2009. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

The School operates under the direction of a self-appointed Board of Trustees. The Board operates with a minimum of five members. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The School was staffed by 10 non-certified staff members and 12 certificated personnel who provided services to 262 students (254.12 full time equivalents) during fiscal year 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School's significant accounting policies are described below.

A. Basis of Presentation

The School’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The School uses a single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) in net position. The Statement of Cash Flows reflects how the School finances meet its cash flow needs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resourced to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Cash

Cash received by the School is reflected as "Cash" on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2013.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School maintains a capitalization threshold of $1,000. The School does not have 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 capitalized. The School does not capitalize interest.

All capital assets are depreciated. The School's capital assets consist of furniture and equipment. Depreciation is computed using the straight-line method. Furniture and equipment are depreciated over five years.

G. Compensated Absences

Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. Unused sick leave is banked for use during the following school year but is only paid out upon resignation or termination after ten years of employment with the School. The Superintendent and Fiscal Officer contracts contain a provision for payment of 25% of sick leave to be paid upon termination or resignation at the current rate of pay. The School records a liability for employees with accumulated unused vacation leave when earned. The following is a summary of compensated absences for Fiscal Year 2013:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Compensated Absences (Continued)

Beginning Balance	Additions	Deletions	Ending Balance
$35,504	$15,498	0	$50,802

H. Prepayments

Payments made to vendors or employees for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment by the School and the expense is recorded when used. The School has prepaid items of $8,395 at June 30, 2013.

I. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance 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, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The School had restricted net position related to amounts held by a lessor as part of the School's lease agreement totaling $32,000.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

K. Estimates

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the School has implemented Governmental Accounting Standards Board (GASB) *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 – and amendment of GASB Statements No. 10 and No. 62."*

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's financial statements.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

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's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

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's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

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

NOTE 4 – DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2013, the carrying amount of the School's deposits was $421,970 and the bank balance was $425,739. Federal Deposit Insurance Corporation (FDIC) covered $250,000 of the bank balance. The remaining amount was collateralized by the financial institution's public entity deposit pool. There are no significant statutory restrictions regarding the deposit and investment of funds by the School.

NOTE 5 - CAPITAL ASSETS

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

	June 30, 2012	Additions	Disposals	June 30, 2013
Depreciable capital assets:				
Furniture	$ 4,500	$ -	$ -	$ 4,500
Equipment	174,557	-	(42,628)	131,929
Less: accumulated depreciation	(175,214)	(1,034)	42,628	(133,620)
Capital assets, net	$ 3,843	$ (1,034)	$ -	$ 2,809

NOTE 6 - BUILDING LEASE AND SECURITY DEPOSIT

The School operations are located in space leased from the Children's Center for Developmental Enrichment (CCDE). As part of the original lease agreement from fiscal year 2005, the School was required to pay a security deposit of $32,000. This amount is being held by the Lessor and will be remitted to the School at the end of the lease if all lease commitments are paid. The lease agreement for fiscal year 2013 required $240,000 in lease payments. The lease expired on June 30, 2013, but was renewed for fiscal year 2014.

NOTE 7 - RECEIVABLES

The School had no accounts receivable as of June 30, 2013. The School had $22,022 in intergovernmental receivables outstanding at June 30, 2013.

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description
The School contributes to the School Employees Retirement System of Ohio (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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy
Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice 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 fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were $49,153, $49,725, and $21,690, respectively; 95.5% has been contributed for fiscal year 2013 with the balance being reported as intergovernmental payable; 100% has been contributed for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description
The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

NOTE 8 - PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio (continued)

Plan Description (Continued)
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. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School's required contributions to STRS Ohio for the DB plan were $69,336 for the fiscal year ended June 30, 2013, $63,584 for the fiscal year ended June 30, 2012, and $61,784 for the fiscal year ended June 30, 2011. For fiscal year 2013, 87.2% has been contributed, with the balance being reported as intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Postemployment Benefits
In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan
The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The School's required contributions for the years ended June 30, 2013, 2012, and 2011 were $2,598, $2,664, and $1,396, respectively; 95.5% has been contributed for fiscal year 2013 with the balance being reported as intergovernmental payable; 100% has been contributed for fiscal years 2012 and 2011.

Health Care Plan
ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs,

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

Health Care Plan (continued)
Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy

benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at $20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School contributions, including the surcharge, assigned to health care for the years ended June 30, 2013, 2012, and 2011 were $3,690, $7,299, and $2,626, respectively; 13% has been contributed for fiscal year 2013 with the balance being reported as intergovernmental payable; 27% has been contributed for fiscal year 2012; 100% has been contributed for fiscal year 2011.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for healthcare coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

Plan Description
The School participates in 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 Ohio 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System (continued)

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 Health Care 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 fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were $5,682, $4,891, and $4,753, respectively. For fiscal year 2013, 87.2% has been contributed, with the balance reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School contracted with Philadelphia Insurance Co. for insurance as follows:

Insurance Type	Coverage	Deductible
Property Insurance	$ 115,000	$ 2,500
Business Interruption	250,000	-
Computer Equipment, Data, Software	455,000	500
Crime - Employee Theft, Dishonesty	250,000	2,500
General Liability/Personal Injury	1,000,000 per occurrence/2,000,000 aggregate	-
Abuse/Molestation	1,000,000 per occurrence/2,000,000 aggregate	-
Ohio Stop Gap Liability	1,000,000	-
Professional Liability	1,000,000 per occurrence/2,000,000 aggregate	-
Auto - Hired and Non-Owned Auto	1,000,000	-
Directors and Officers	2,000,000 per occurrence/4,000,000 aggregate	-
Employment Practices	2,000,000 per occurrence/4,000,000 aggregate	-
Workplace Violence	1,000,000 per occurrence/4,000,000 aggregate	-
Accident Medical Expense Benefits	25,000 maximum	-
Umbrella Policy - Auto, General, Stop Gap, Professional Liability	5,000,000 per occurrence/aggregate	-

The amount of settlements did not exceed insurance coverage for any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the state. The School owed $3,981 for this premium on January through June 2013 wages and accrued wages. The liability is reflected in the financial statements.

NOTE 11 - EMPLOYEE BENEFITS

The School offers healthcare, dental, and vision insurance for all eligible employees. The School pays a portion of the monthly premium for healthcare, dental, and vision benefits, and the employee is responsible for the remainder. The School provides basic life and accidental death and dismemberment insurance to employees. Employees also have the option of paying for additional insurance benefits above the basic level. The School also provides short term disability benefits for eligible employees. Employees have the option of paying for long term disability benefits.

NOTE 12 - PURCHASED SERVICES

For fiscal year ended June 30, 2013, purchased services expenses were as follows:

Rent	$ 240,000
Management Services	75,000
Summer Services	124,055
Placement Contract	5,573,035
Related Services	133,901
Sponsor Services	39,544
Audit Services	5,863
Attorney and Related Fees	20,772
Due Process Expenses	-
Professional Memberships and Training	2,280
Banking Services	-
Other (Advertising, Mail, etc.)	3,775
Insurance	16,628
Computer Consortium and EMIS Services	13,038
Total	$ 6,247,891

NOTE 13 - CONTRACTS

A. Sponsor Contract

The School entered into a five-year contract commencing on July 1, 2009 and continuing through June 30, 2014 with the Education Service Center of Central Ohio (the “Sponsor”) for sponsorship services. Under the contract, the following terms were agreed upon:

- The School shall operate in substantial compliance with its “Educational Plan”, which contains the School’s mission, educational philosophy, the ages and grades of students, the characteristics of the students the School is expected to attract, the School calendar, the academic goals and the method of measurement that will be used to determine progress toward those goals, graduation requirements, and the focus of the curriculum.
- The School shall operate in substantial compliance with a “Financial Plan”, which establishes an estimated school budget for each year, maintain financial records, be audited as required by ORC, comply with financial procedures and internal controls of the School.
- The School shall secure the services of a Superintendent, who shall be the chief operating officer of the School and a liaison between the School and Sponsor.
- The School shall annually pay to the Sponsor, from funding provided to the School by the Ohio Department of Education (ODE) pursuant to Section 3314.08 of the Ohio Revised Code,

NOTE 13 – CONTRACTS (continued)

A. Sponsor Contract (Continued)

- $155 per student per year and such other amounts as mutually agreed, including fees for any services provided to the School by the Sponsor.

Expenses for sponsorship services amounted to $39,544 during fiscal year 2013.

B. Service Contract

The School entered into a Placement Contract with CCDE to provide for educational services to certain students in order to assist the School in meeting the educational needs and to provide the necessary services of the students' Individual Educational Plan. The required amount due to CCDE under the Placement Contract was $5,573,035 during fiscal year 2013 which was paid during the fiscal year.

C. Management Contract

The School entered into an Administrative Management agreement with CCDE for Administrative Services for the period July 1, 2012 through June 30, 2013 in the amount of $75,000. CCDE provides services in the area of human resources, staff training and support, secretarial, technology, including e-mail, administrative, data entry, and curriculum and program development. CCDE also provides basic curriculum and classroom supplies as needed and when possible. Payments to CCDE for Administrative Services amounted to $75,000 during fiscal year 2013. The management contract was renewed for fiscal year 2014.

NOTE 14 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2013.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The fiscal year 2013 review resulted in no change to the fiscal year 2013 state foundation funding.

NOTE 15 - DEBT

The School had no long term debt outstanding at June 30, 2013.

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

Oakstone Community School
Franklin County
5747 B Cleveland Ave
Columbus, Ohio 43231

To the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the Oakstone Community School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 27, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2014

Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Oakstone Community School
Franklin County
900 Club Drive
Westerville, Ohio 43081

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

1. We noted the Board did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

   Ohio Rev. Code Section 3313.666 required the Board to amend its policy by November 4, 2012. However, it was determined that the School updated its policy to include the above requirements on January 22, 2014.

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.

Dave Yost

Dave Yost
Auditor of State

January 27, 2014

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OAKSTONE COMMUNITY SCHOOL

FRANKLIN 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
FEBRUARY 20, 2014