FOXFIRE INTERMEDIATE SCHOOL
MUSKINGUM COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

FOXFIRE INTERMEDIATE SCHOOL
MUSKINGUM COUNTY
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Foxfire Intermediate School
Muskingum County
2805 Pinkerton Road
Zanesville, Ohio 43701

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Foxfire Intermediate School, Muskingum County, Ohio (the Intermediate School), a component unit of the Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Intermediate 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 Intermediate 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 Intermediate School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foxfire Intermediate School, Muskingum County, Ohio, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis,* and Schedules of Net Pension Liabilities and Pension Contributions 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 February 20, 2018, on our consideration of the Intermediate 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 Intermediate School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2018

The discussion and analysis of the Foxfire Intermediate School's (Intermediate School) financial performance provides an overall review of the Intermediate School's financial activities for the fiscal year ended June 30, 2017. Readers should also review the basic financial statements and notes to enhance their understanding of the Intermediate School's financial performance.

Intermediate School Highlights

The Intermediate School opened for its first year of operation in fiscal year 2011 for intermediate school age students who are at risk of dropping out of school, home schooled students, students who have experienced lack of success in traditional elementary and middle school settings, and nontraditional students of middle school age. When the Intermediate School was first established, the students served were middle school age. In fiscal year 2013, the Intermediate School began to serve students first through eighth grade. During fiscal year 2017, the Intermediate School only provided services to the first through third grades due to a change made by the Ohio Department of Education that now allows fourth through eighth grades to be served through a drop-out, recovery, and prevention school; therefore, the students were relocated to Foxfire High School. During fiscal year 2017, the Intermediate School provided services to 32 full-time students compared to 124 in fiscal year 2016.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the Foxfire Intermediate School did financially during fiscal year 2017. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the Intermediate School's net position and changes in the net position. The change in net position is important because it tells the reader whether the financial position of the Intermediate School has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

All of the Intermediate School's activities are reported in a single enterprise fund.

Table 1 provides a summary of the Intermediate School's net position for 2017 compared to 2016:

Table 1 - Net Position

	2017	2016	Change
Assets:			
Current and Other Assets	$542,705	$438,893	$103,812
Depreciable Capital Assets, Net	65,937	93,009	(27,072)
Total Assets	608,642	531,902	76,740
Deferred Outflows of Resources:			
Pension	667,737	683,880	(16,143)
Liabilities:			
Current and Other Liabilities	65,066	151,120	(86,054)
Long-Term Liabilities:			
Net Pension Liability	2,043,625	1,991,236	52,389
Other Amounts Due in More than One Year	0	7,309	(7,309)
Total Liabilities	2,108,691	2,149,665	(40,974)
Deferred Inflows of Resources:			
Pension	270,776	131,263	139,513
Net Position:			
Net Investment in Capital Assets	65,937	93,009	(27,072)
Unrestricted (Deficit)	(1,169,025)	(1,158,155)	(10,870)
Total Net Position	($1,103,088)	($1,065,146)	($37,942)

The net pension liability (NPL) is the largest single liability reported by the Intermediate School at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Intermediate School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting: however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the Intermediate School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Intermediate School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Intermediate School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets increased $76,740 during fiscal year 2017. This increase is directly attributable to an increase in cash and cash equivalents in the amount of $83,872, a decrease in intergovernmental receivables in the amount of $719, an increase in prepaid items in the amount of $20,659, and a decrease in capital assets in the amount of $27,072. The increase in cash and cash equivalents is due to a decrease in the number of students served by the Intermediate School which resulted in a decrease in staff. The decrease in staff and students resulted in a decrease in overall operating expenses. As mentioned earlier, enrollment decreased due to a change in the structure of the number of grades served by the Intermediate School. Prepaids increased due to a prepayment to the Bureau of Workers' Compensation (BWC) for July through December coverage and due to a prepayment to State Teachers Retirement System (STRS) due to the overpayment of pensions of employees relocated to the Foxfire High School. STRS will not require a payment from the Intermediate School for current staff until this overpayment has been eliminated. Capital assets decreased as a result of current year depreciation and no fiscal year 2017 purchases.

Total liabilities decreased $40,974 during fiscal year 2017. Long-term liabilities increased in the amount of $45,080 due to an increase in the net pension liability in the amount of $52,389 and a decrease in compensated absences payable in the amount of $7,309. The decrease in compensated absences was due to one employee being probable to retire in fiscal year 2016 compared to no employees being probable to retire in fiscal year 2017. The decrease in current and other liabilities in the amount of $86,054 is due mainly to a decrease in accrued wages and benefits payable in the amount of $82,761 and a decrease in vacation benefit payable in the amount of $5,602. These decreases were the direct result of a decrease in staff levels due to the change in the grades served as mentioned earlier.

Table 2 reflects the changes in net position for fiscal year ended June 30, 2017 and comparisons to fiscal year 2016.

Table 2 - Change in Net Position

	2017	2016	Change
Operating Revenues:			
Foundation	$400,720	$1,419,726	($1,019,006)
Extracurricular Activities	11,138	1,528	9,610
Total Operating Revenues	411,858	1,421,254	(1,009,396)
Non-Operating Revenues:			
State and Federal Grants	269,104	267,263	1,841
Interest	1,829	614	1,215
Other Non-Operating Revenue	3,861	32	3,829
Total Non-Operating Revenues	274,794	267,909	6,885
Total Revenues	686,652	1,689,163	(1,002,511)
Operating Expenses:			
Salaries	262,825	706,764	(443,939)
Fringe Benefits	264,528	327,487	(62,959)
Purchased Services	166,010	418,566	(252,556)
Materials and Supplies	4,159	8,787	(4,628)
Depreciation	27,072	31,620	(4,548)
Other Operating Expenses	0	2,178	(2,178)
Total Operating Expenses	724,594	1,495,402	(770,808)
Change in Net Position	(37,942)	193,761	(231,703)
Net Position Beginning of Year	(1,065,146)	(1,258,907)	193,761
Net Position End of Year	($1,103,088)	($1,065,146)	($37,942)

During fiscal year 2017, operating revenues decreased in the amount of $1,009,396. This decrease is primarily due to a $1,019,006 decrease in foundation revenue as a result of the decrease in students served during fiscal year 2017 as a result of the change in grade levels served as mentioned earlier. The increase in non-operating revenue in the amount of $6,885 was the result of an increase in other non-operating revenue due to donations and BWC refunds.

During fiscal year 2017, all expenses decreased due to the reduction in staff levels and the reduction in the number of students served by the Intermediate School as mention earlier.

Budgeting

The Intermediate School is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets and Debt Administration

Capital Assets - During fiscal year 2017, the Intermediate School had $65,937 in capital assets. See Note 4 for additional information regarding capital assets.

Debt - The Intermediate School did not incur any debt during fiscal year 2017. The net pension liability under GASB 68 is reported as a long-term obligation and has been previously disclosed within the management's discussion and analysis. See Note 12 for more detailed information of the Intermediate School's debt.

Current Design

The Intermediate School is designed for potential school dropouts, home schooled students, students who have experienced lack of success in traditional elementary school settings, and non-traditional students of elementary school age. The program provides an open, non-discriminative environment where students are encouraged to work at their own pace while staff helps students overcome barriers that have hindered past academic achievements. This School will offer and operate a Student Support Team comprised of members from many local agencies that can offer assistance and programming to the students and their families. The Intermediate School is especially appealing to students by offering small class sizes, personal development, teaching Core Values, extensive wrap-around services and educational adaptability.

The Intermediate School is based upon the Stephen Covey's Seven Habits of Highly Effective People. Students are expected to be introduced and given essential skills and areas of knowledge. The curriculum will be relevant and modeled from the sponsoring schools. Teaching and learning is personalized with students and their families. Teachers are coaches and teach students the capacity to learn so they ultimately teach themselves. Our wrap-around services will provide a foundation to the growth of each student.

Contacting the Intermediate School's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Intermediate School's finances and to show the Intermediate School's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Lewis Sidwell, Treasurer, Foxfire Intermediate School, 2805 Pinkerton Road, Zanesville, Ohio 43701. You may also E-mail the treasurer at lsidwell@laca.org.

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Foxfire Intermediate School

Statement of Net Position

June 30, 2017

Assets:	
Current Assets:	
Cash and Cash Equivalents	$428,460
Intergovernmental Receivable	93,586
Prepaids	20,659
Total Current Assets	542,705
Noncurrent Assets:	
Depreciable Capital Assets, Net	65,937
Total Assets	608,642
Deferred Outflows of Resources:	
Pension	667,737
Liabilities:	
Current Liabilities:	
Accounts Payable	63
Accrued Wages and Benefits Payable	46,254
Intergovernmental Payable	10,788
Vacation Benefit Payable	7,961
Total Current Liabilities	65,066
Long-Term Liabilities:	
Net Pension Liability (See Note 9)	2,043,625
Total Liabilities	2,108,691
Deferred Inflows of Resources:	
Pension	270,776
Net Position:	
Net Investment in Capital Assets	65,937
Unrestricted (Deficit)	(1,169,025)
Total Net Position	($1,103,088)

See accompanying notes to the basic financial statements

Foxfire Intermediate School

Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2017

Operating Revenues:	
Foundation	$400,720
Extracurricular Activities	11,138
Total Operating Revenues	411,858
Operating Expenses:	
Salaries	262,825
Fringe Benefits	264,528
Purchased Services	166,010
Materials and Supplies	4,159
Depreciation	27,072
Total Operating Expenses	724,594
Operating Loss	(312,736)
Non-Operating Revenues:	
State and Federal Grants	269,104
Interest	1,829
Other Non-Operating Revenues	3,861
Total Non-Operating Revenues	274,794
Change in Net Position	(37,942)
Net Position Beginning of Year	(1,065,146)
Net Position End of Year	($1,103,088)

See accompanying notes to the basic financial statements

Foxfire Intermediate School
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Foundation	$402,845
Cash Received from Extracurricular Activities	11,138
Cash Payments for Employee Services and Benefits	(439,567)
Cash Payments to Suppliers for Goods and Services	(163,932)
Other Non-Operating Revenues	2,055
Net Cash Used for Operating Activities	(187,461)
Cash Flows from Noncapital Financing Activities:	
State and Federal Grants Received	269,504
Cash Flows from Investing Activities:	
Interest on Investments	1,829
Net Increase in Cash and Cash Equivalents	83,872
Cash and Cash Equivalents Beginning of Year	344,588
Cash and Cash Equivalents End of Year	$428,460
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($312,736)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	27,072
Non-Operating Revenues	2,055
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	2,125
Increase in Prepaids	(20,659)
Decrease in Deferred Outflows - Pension	322,777
Decrease in Accounts Payable	(1,396)
Decrease in Accrued Wages and Benefits Payable	(82,761)
Decrease in Vacation Benefits Payable	(5,602)
Increase in Intergovernmental Payable	3,705
Decrease in Compensated Absences Payable	(7,309)
Increase in Net Pension Liability	19,415
Decrease in Deferred Inflows - Pension	(134,147)
Net Cash Used for Operating Activities	($187,461)

See accompanying notes to the basic financial statements

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Note 1 - Description of the School

Foxfire Intermediate School (Intermediate School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Intermediate 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 Intermediate School's tax exempt status. The Intermediate School's mission is to maximize all students' potential by the teaching of high academic standards and overall student wellness to increase capabilities by bridging gaps in the best interests of each individual student. The Intermediate School is designed to serve home schooled students, students who have experienced lack of success in traditional elementary school settings, and non-traditional students of elementary school age.

The Intermediate School was established on May 15, 2010 and began its first year of operations in fiscal year 2011. When the Intermediate School was first established, the students served were middle school age but then in fiscal year 2013 they began to serve students first through eighth grade. In fiscal year 2017, the Intermediate School decreased the grades served to students first through third grade. The students in fourth through eighth grade were relocated to the Foxfire High School. This change in the grades served was due to a change in the Ohio Department of Education which now allows a drop-out, recovery, and prevention school (Foxfire High School) to serve grades four through twelve. The Intermediate School entered into a contract with the Maysville Local School District (the Sponsor). The Sponsor is responsible for evaluating the performance of the Intermediate School and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Intermediate School with the Treasurer of the Sponsor serving as the role of Treasurer for the Intermediate School.

The Intermediate School operates under the direction of a five-member Board of Directors comprised of five community members recommended by the Executive Director after consulting with the Sponsor's Superintendent. All governing authority members are required to live and/or work in the Zanesville-Muskingum County community and are to represent the interest of the Muskingum County community. The Board of Directors approves the Intermediate School's staff of three noncertified and four certificated full time teaching personnel who provide services to 32 students. The Intermediate School is a component unit of the Sponsor. The Sponsor is able to impose its will on the Intermediate School and due to their relationship with the Sponsor it would be misleading to exclude them. The Sponsor can suspend the Intermediate School's operations for any of the following reasons: 1) The Intermediate School's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Intermediate School's failure to meet generally accepted standards of fiscal management, 3) The Intermediate School's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Intermediate School and the students it serves. The Intermediate School uses the facilities provided by the Sponsor. In the initial months of operation of the Intermediate School, the employees were considered employees of the Sponsor. Beginning January 1, 2011, the employees became employees of the Intermediate School.

The Intermediate School participates in one insurance purchasing pool, the Ohio School Benefits Cooperative. This organization is presented in Note 13 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Intermediate School 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 Intermediate School's accounting policies are described below.

A. Basis of Presentation

The Intermediate 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 Intermediate School uses a single enterprise fund to present its financial records for the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus

The enterprise fund is accounted for using a flow of 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 Intermediate 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 total net position. The statement of cash flows reflects how the Intermediate School finances meet its cash flow needs.

C. Basis of Accounting

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

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 represent 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 Intermediate School, deferred outflows of resources are reported on the statement of net position for pension.

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 until that time. For the Intermediate School, deferred inflows of resources include pension. These amounts have been recorded as a deferred inflow on the statement of net position. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 9)

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the Intermediate School's contract with its Sponsor. The contract between the Intermediate School and its Sponsor does not prescribe an annual budget requirement in addition to preparing a five year forecast, which is updated on an annual basis.

E. Cash and Cash Equivalents

Cash received by the Intermediate School is reflected as "Cash and Cash Equivalents" on the statement of net position. Investments with original maturities of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2017, the Intermediate School had no investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the period amount is recorded at the time of the purchase and an expense/expenditure is reported in the fiscal year in which services are consumed.

G. Capital Assets

The Intermediate School's capital assets during fiscal year 2017 consisted of computer equipment, video equipment, office equipment, and signs. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their acquisition values as of the date received. The Intermediate School maintains a capitalization threshold of five hundred dollars. All of the Intermediate School's reported capital assets are depreciated using the straight-line method over the useful lives from five to 15 years.

H. 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 Intermediate School will compensate the employees for the benefits through paid time off or some other means. The Intermediate School records a liability for vacation time when earned.

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 Intermediate School 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 Intermediate School's termination policy. The Intermediate School currently has no employees that it anticipates as being probable to retire.

I. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The statement of net position reports no restricted net position and has no monies restricted by enabling legislation.

Net position restricted for other purposes include federal grants restricted to expenditures for specified purposes. The Intermediate School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Operating Revenues and Expenses

The Intermediate School currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

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

K. 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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Note 3 - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Intermediate School's deposits may not able to recover deposits or collateral securities that are in the possession of an outside party. The Intermediate School does not have a deposit policy for custodial credit risk. At fiscal year-end, the bank balance of the Intermediate School's deposits was $434,400. $250,000 of the bank balance was covered by federal depository insurance.

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", $184,400 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 4 – Capital Asset

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Equipment	$221,591	$0	$0	$221,591
Less Accumulated Depreciation	(128,582)	(27,072)	0	(155,654)
Capital Assets, Net	$93,009	($27,072)	$0	$65,937

Note 5 – Intergovernmental Receivable

Receivables at June 30, 2017, consisted of intergovernmental grants. The receivables are expected to be collected in full within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Title I	$42,399
Title VI-B	5,948
Title I-A	19,787
Title II-A	23,297
Medicaid	349
Bureau of Workers' Compensation Refund	1,806
Total	$93,586

Note 6 – Risk Management

The Intermediate School is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the fiscal year ended June 30, 2017, the Intermediate School maintains liability insurance through the Maysville Local School District's policy. Employees are fully insured for health coverage through Medical Mutual and through the Guardian Life Insurance Company of America for dental and vision benefits.

Note 7 – Related Party Transactions

The Board of Directors of the Intermediate School consists of five community members recommended by the Executive Director of the Intermediate School after consulting with Maysville Local School District's (Sponsor) Superintendent. The Intermediate School is presented as a component unit of the Sponsor.

During fiscal year 2017, the Intermediate School paid the Sponsor $50,480 for rent, utilities, and other support services provided to the Intermediate School. As of June 30, 2017, there were no amounts owed by the Intermediate School to the Sponsor. The Intermediate School is located in a portion of facilities previously utilized by the Sponsor.

Note 8 – Intermediate School's Expenses

	Regular Instruction (1100 Function codes)	Special Instruction (1200 Function codes)	Other Instruction (1400 and 1900 Function Codes)	Support Services (2000 Function Codes)	Non-Instructional (3000 through 7000 Function Codes)	Total
Direct expenses:						
Salaries & wages (100 object codes)	$124,587	$88,612	$64,448	$65,376	$0	$343,023
Employees' benefits (200 object codes)	46,523	16,620	17,037	16,364	0	96,544
Professional and technical services (410 object codes)	1,069	3,758	6,869	93,007	72	104,775
Rental expenses (425 object codes)	50,480	0	0	0	0	50,480
Travel/Meeting Expense (430 object codes)	77	0	0	159	0	236
Advertising (440 object codes)	4,282	0	0	0	0	4,282
Supplies (500 object codes)	1,138	0	0	175	0	1,313
Equipment (640 object codes)	0	0	0	0	2,846	2,846
Total expenses	$228,156	$108,990	$88,354	$175,081	$2,918	$603,499

Expenses are shown on a cash basis.

Note 9 – Defined Benefit Pension Plans

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Intermediate School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Intermediate School's obligation for this liability to annually required payments.

The Intermediate School cannot control benefit terms or the manner in which pensions are financed; however, the Intermediate School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Intermediate School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Intermediate School 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 advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The Intermediate School's contractually required contribution to SERS was $11,984 for fiscal year 2017. Of this amount $761 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Intermediate School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Intermediate School's contractually required contribution to STRS was $19,533 for fiscal year 2017. The full was paid as of June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Intermediate School's proportion of the net pension liability was based on the Intermediate School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.00539700%	0.00609065%	
Proportion of the Net Pension Liability Current Measurement Date	0.00549000%	0.00490487%	
Change in Proportionate Share	0.00009300%	-0.00118578%	
Proportionate Share of the Net Pension Liability	$401,817	$1,641,808	$2,043,625
Pension Expense	$62,747	$176,815	$239,562

At June 30, 2017, the Intermediate School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$5,419	$66,337	$71,756
Changes of assumptions	26,824	0	26,824
Net difference between projected and actual earnings on pension plan investments	33,144	136,314	169,458
Changes in proportionate Share and difference between Intermediate School contributions and proportionate share of contributions	44,789	323,393	368,182
Intermediate School contributions subsequent to the measurement date	11,984	19,533	31,517
Total Deferred Outflows of Resources	$122,160	$545,577	$667,737
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between Intermediate School contributions and proportionate share of contributions	$0	$270,776	$270,776

$31,517 reported as deferred outflows of resources related to pension resulting from Intermediate School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$37,317	$87,374	$124,691
2019	37,294	87,375	124,669
2020	26,038	94,127	120,165
2021	9,527	(13,608)	(4,081)
Total	$110,176	$255,268	$365,444

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute.

Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Intermediate School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Intermediate School's proportionate share of the net pension liability	$531,981	$401,817	$292,865

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no setback for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the Intermediate School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Intermediate School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Intermediate School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Intermediate School's proportionate share of the net pension liability	$2,181,829	$1,641,808	$1,186,268

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017.

Although the exact amount of these changes is not known, the overall decrease to Intermediate School's NPL is expected to be significant.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2017, only one of the Board of Education members elected Social Security.

Note 10 - Postemployment Benefits

A. School Employees Retirement System (SERS)

Health Care Plan Description - The Intermediate School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the Intermediate School's surcharge obligation was $1,143.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Intermediate School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $1,143, $2,830, and $4,085, respectively. As of June 30, 2017, $1,143 was shown as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

B. State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered 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 partial 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.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016, and June 30. 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 11 - Contingencies

A. Grants

The Intermediate School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Intermediate School at June 30, 2017.

B. State Foundation

Community School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Community School, which can extend past the fiscal year-end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017.

After year ending June 30, 2017, there were multiple adjustments from the State to the foundation settlement reports for fiscal year 2017. The total of these adjustments indicated that the Intermediate School was overpaid by $16,742. Management believes this does not materially impact the financial statements, therefore it has not been shown as an intergovernmental payable as of June 30, 2017.

In addition, the Intermediate School's contract with their Sponsor requires payment based on annual FTE.

As discussed above, there were multiple FTE adjustments for fiscal year 2017 and 2016. In total the FTE adjustments of FY17 and FY16 resulted in an overpayment of $480 to the Sponsor. On January 17, 2018, the Sponsor paid this amount back to the Intermediate School. Management believes this does not materially impact the financial statements, therefore it has not been shown as an intergovernmental receivable as of June 30, 2017.

C. Litigation

The Intermediate School currently is not a party to any lawsuits.

Note 12 – Long-Term Obligations

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

	Outstanding 6/30/2016	Additions	Deletions	Outstanding 6/30/2017	Due Within One Year
Compensated Absences	$7,309	$0	$7,309	$0	$0
Net Pension Liability:					
SERS	307,958	93,859	0	401,817	0
STRS	1,683,278	0	41,470	1,641,808	0
Total Net Pension Liability	1,991,236	93,859	41,470	2,043,625	0
Total Long-Term Obligations	$1,998,545	$93,859	$48,779	$2,043,625	$0

There is no repayment schedule for the net pension liability. For additional information related to the net pension liability see Note 9.

Note 13 – Insurance Purchasing Pool

Ohio School Benefits Cooperative

The Intermediate School participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be Educational Service Center and/or educational service center administrators.

The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees. Participants pay a $500 membership fee to OSBC. OSBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. Medical Mutual/Antares is the Administrator of the OSBC.

The Intermediate School elected to participate in the joint insurance purchasing program for medical and prescription drug coverage.

Note 14 – Change in Accounting Principle

For fiscal year 2017, the Intermediate School implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the Intermediate School's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

Note 15 – Subsequent Event

Beginning July 1, 2017, the Intermediate School will begin to serve kindergarten students.

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Foxfire Intermediate School

Required Supplementary Information

Schedule of the Intermediate School's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

*Last Four Fiscal Years (1) **

	2017	2016	2015	2014
Intermediate School's Proportion of the Net Pension Liability	0.005490%	0.005397%	0.004396%	0.003944%
Intermediate School's Proportionate Share of the Net Pension Liability	$401,817	$307,958	$222,480	$234,563
Intermediate School's Covered Payroll	$171,100	$162,314	$133,312	$119,794
Intermediate School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	234.84%	189.73%	166.89%	195.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the Intermediate School's measurement date which is the prior fiscal year end.

Foxfire Intermediate School

Required Supplementary Information

Schedule of the Intermediate School's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

*Last Four Fiscal Years (1) **

	2017	2016	2015	2014
Intermediate School's Proportion of the Net Pension Liability	0.00490487%	0.00609065%	0.00473443%	0.00394829%
Intermediate School's Proportionate Share of the Net Pension Liability	$1,641,808	$1,683,278	$1,151,577	$1,143,975
Intermediate School's Covered Payroll	$510,721	$662,600	$507,271	$423,038
Intermediate School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	321.47%	254.04%	227.01%	270.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the Intermediate School's measurement date which is the prior fiscal year end.

Foxfire Intermediate School

Required Supplementary Information

Schedule of the Intermediate School Contributions

School Employees Retirement System of Ohio

Last Seven Fiscal Years

	(2) 2017	2016	2015	2014	2013	2012	(1) 2011
Contractually Required Contribution	$11,984	$23,954	$21,393	$18,477	$16,579	$15,543	$6,145
Contributions in Relation to the Contractually Required Contribution	(11,984)	(23,954)	(21,393)	(18,477)	(16,579)	(15,543)	(6,145)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0
Intermediate School Covered Payroll	$85,600	$171,100	$162,314	$133,312	$119,794	$115,559	$48,891
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

(1) Fiscal year 2011 was the first year of operation.

(2) Fiscal year 2017 had a decrease in the number of grades served which decreased staff

Foxfire Intermediate School

Required Supplementary Information

Schedule of the Intermediate School Contributions

State Teachers Retirement System of Ohio

Last Seven Fiscal Years

	(2) 2017	2016	2015	2014	2013	2012	(1) 2011
Contractually Required Contribution	$19,533	$71,501	$92,764	$65,945	$54,995	$40,684	$19,129
Contributions in Relation to the Contractually Required Contribution	(19,533)	(71,501)	(92,764)	(65,945)	(54,995)	(40,684)	(19,129)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0
Intermediate School Covered Payroll	$139,521	$510,721	$662,600	$507,271	$423,038	$312,954	$147,146
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) Fiscal year 2011 was the first year of operation

(2) Fiscal year 2017 had a decrease in the number of grades served which decreased staff

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

Foxfire Intermediate School
Muskingum County
2805 Pinkerton Road
Zanesville, Ohio 43701

To the Board of Directors:

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 Foxfire Intermediate School, Muskingum County, Ohio (the Intermediate School), a component unit of the Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Intermediate 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 Intermediate 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 Intermediate 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 Intermediate 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 Intermediate School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Intermediate School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2018

FOXFIRE INTERMEDIATE SCHOOL

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2018

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