FOXFIRE INTERMEDIATE SCHOOL
MUSKINGUM COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

FOXFIRE INTERMEDIATE SCHOOL
MUSKINGUM COUNTY

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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, 2015, 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 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, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Intermediate School adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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 18, 2016, 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 18, 2016

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, 2015. 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 2015, the Intermediate School provided services to 120 full-time students.

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 2015. 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 2015 compared to 2014:

Table 1 - Net Position

	2015	2014	Change
Assets:			
Current and Other Assets	$153,608	$96,361	$57,247
Depreciable Capital Assets, Net	91,656	118,850	(27,194)
Total Assets	245,264	215,211	30,053
Deferred Outflows of Resources:			
Pension	330,840	84,422	246,418
Liabilities:			
Current and Other Liabilities	205,144	174,883	30,261
Long-Term Liabilities:			
Net Pension Liability	1,374,057	1,378,538	(4,481)
Other Amounts Due in More than One Year	6,655	6,111	544
Total Liabilities	1,585,856	1,559,532	26,324
Deferred Inflows of Resources:			
Pension	249,155	0	249,155
Net Position:			
Net Investment in Capital Assets	91,656	118,850	(27,194)
Unrestricted	(1,350,563)	(1,378,749)	28,186
Total Net Position	($1,258,907)	($1,259,899)	$992

During fiscal year 2015, the Intermediate School adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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.

Under the new standards required by GASB 68, the net pension liability equals 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.

As a result of implementing GASB 68, the Intermediate School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $34,217 to ($1,259,899).

Total assets increased $30,053 during fiscal year 2015. This increase is directly attributable to an increase in cash and cash equivalents in the amount of $58,866 which was offset by a decrease in intergovernmental receivables in the amount of $1,619 and a decrease in capital assets in the amount of $27,194. The increase in cash and cash equivalents is due to an increase in funding from State and federal grant programs as a result of a slight increase in student enrollment. Student enrollment increased by 5 students from fiscal year 2014 as compared to fiscal year 2015. State and federal grant revenues increased in the amount of $26,822 from fiscal year 2014 to fiscal year 2015 which was primary due to the receipt of an additional $29,599 in fiscal year 2015 over 2014 through the Title I grant program. Capital assets decreased as a result of current year depreciation exceeding current year purchases of equipment.

Total liabilities increased $26,324 during fiscal year 2015. Long-term liabilities decreased in the amount of $3,937 due to a decrease in the net pension liability in the amount of $4,481 which was offset by an increase in compensated absences payable in the amount of $544. The increase in current and other liabilities in the amount of $30,261 is due to an increase in accrued wages and benefits payable, intergovernmental payables, and vacation benefits payable. These increases are the direct result of an increase in staff and an increase in student enrollment. Accounts payable also reflect an increase in the amount of $5,413. The Intermediate School recognized unearned revenue in fiscal year 2015 due to an overpayment in State Foundation settlements from the Ohio Department of Education.

Table 2 reflects the changes in net position for fiscal year ended June 30, 2015 and comparisons to fiscal year 2014.

Table 2 - Change in Net Position

	2015	2014	Change
Operating Revenues:			
Foundation	$1,254,397	$1,200,995	$53,402
Extracurricular Activities	2,271	974	1,297
Total Operating Revenues	1,256,668	1,201,969	54,699
Non-Operating Revenues:			
State and Federal Grants	141,991	115,169	26,822
Interest	157	201	(44)
Other Non-Operating Revenue	3,866	5	3,861
Total Non-Operating Revenues	146,014	115,375	30,639
Total Revenues	1,402,682	1,317,344	85,338
Operating Expenses:			
Salaries	814,002	705,680	108,322
Fringe Benefits	243,586	210,472	33,114
Purchased Services	299,040	375,949	(76,909)
Materials and Supplies	3,365	8,197	(4,832)
Depreciation	27,194	26,646	548
Other Operating Expenses	14,503	1,790	12,713
Total Operating Expenses	1,401,690	1,328,734	72,956
Change in Net Position	992	(11,390)	12,382
Net Position Beginning of Year	(1,259,899)	N/A	
Net Position End of Year	($1,258,907)	($1,259,899)	$992

The information necessary to restate fiscal year 2014 beginning balances and fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of $84,422 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, fiscal year 2015 statements report pension expense of $112,413. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$1,401,690
Pension expense under GASB 68	(112,413)
2015 contractually required contribution	114,157
Adjusted 2015 program expenses	1,403,434
Total 2014 program expenses under GASB 27	1,328,734
Increase in program expenses not related to pension	$74,700

During fiscal year 2015, operating revenues increased in the amount of $54,699. This increase is primarily due to an increase in foundation revenue in the amount of $53,402 as a result of an additional five students being enrolled during fiscal year 2015 as compared to fiscal year 2014. The increase in non-operating revenue in the amount of $30,639 was the result of an increase in State and federal grants primarily due to an increase in Title I funding during fiscal year 2015.

During fiscal year 2015, salaries increased due an increase in staff from eight in fiscal year 2014 to twelve in fiscal year 2015.

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 2015, the Intermediate School had $91,656 in capital assets. See Note 5 for additional information regarding capital assets.

Debt - The Intermediate School did not incur any debt during fiscal year 2015. 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 13 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 and middle school settings, and non-traditional students of elementary and middle 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.

Foxfire Intermediate School

Statement of Net Position

June 30, 2015

<u>Assets:</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	$141,241
Intergovernmental Receivable	12,367
Total Current Assets	153,608
<u>Noncurrent Assets:</u>	
Depreciable Capital Assets, Net	91,656
Total Assets	245,264
<u>Deferred Outflows of Resources:</u>	
Pension	330,840
<u>Liabilities:</u>	
<u>Current Liabilities:</u>	
Accounts Payable	5,413
Accrued Wages and Benefits Payable	133,067
Intergovernmental Payable	53,133
Vacation Benefit Payable	8,673
Unearned Revenue	4,858
Total Current Liabilities	205,144
<u>Long-Term Liabilities:</u>	
Net Pension Liability (See Note 10)	1,374,057
Other Amounts Due in More Than One Year	6,655
Total Long-Term Liabilities	1,380,712
Total Liabilities	1,585,856
<u>Deferred Inflows of Resources:</u>	
Pension	249,155
<u>Net Position:</u>	
Net Investment in Capital Assets	91,656
Unrestricted (Deficit)	(1,350,563)
Total Net Position	($1,258,907)

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, 2015

Operating Revenues:	
Foundation	$1,254,397
Extracurricular Activities	2,271
Total Operating Revenues	1,256,668
Operating Expenses:	
Salaries	814,002
Fringe Benefits	243,586
Purchased Services	299,040
Materials and Supplies	3,365
Depreciation	27,194
Other Operating Expenses	14,503
Total Operating Expenses	1,401,690
Operating Loss	(145,022)
Non-Operating Revenues:	
State and Federal Grants	141,991
Interest	157
Other Non-Operating Revenues	3,866
Total Non-Operating Revenues	146,014
Change in Net Position	992
Net Position Beginning of Year - Restated (Note 3)	(1,259,899)
Net Position End of Year	($1,258,907)

See accompanying notes to the basic financial statements

Foxfire Intermediate School
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Foundation	$1,259,255
Cash Received from Extracurricular Activities	2,271
Cash Payments for Employee Services and Benefits	(1,038,798)
Cash Payments to Suppliers for Goods and Services	(296,992)
Other Operating Expenses	(14,503)
Other Non-Operating Revenues	2,111
Net Cash Used for Operating Activities	(86,656)
Cash Flows from Noncapital Financing Activities:	
State and Federal Grants Received	145,365
Cash Flows from Investing Activities:	
Interest on Investments	157
Net Increase in Cash and Cash Equivalents	58,866
Cash and Cash Equivalents Beginning of Year	82,375
Cash and Cash Equivalents End of Year	$141,241
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($145,022)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	27,194
Non-Operating Revenues	2,111
Changes in Assets and Liabilities:	
Increase in Deferred Outflows - Pension	(246,418)
Increase in Accounts Payable	5,413
Increase in Accrued Wages and Benefits Payable	7,805
Increase in Vacation Benefits Payable	5,545
Increase in Intergovernmental Payable	6,640
Increase in Unearned Revenue	4,858
Increase in Compensated Absences Payable	544
Decrease in Net Pension Liability	(4,481)
Increase in Deferred Inflows - Pension	249,155
Net Cash Used for Operating Activities	($86,656)

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 potential dropouts, home schooled students, students who have experienced lack of success in traditional elementary and middle school settings, and non-traditional students of elementary and middle 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. In fiscal year 2013, the Intermediate School began to serve students first through eighth grade. 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 five noncertified and twelve certificated full time teaching personnel who provide services to 120 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.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Intermediate School have been prepared in conformity with generally accepted accounting principals (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 10)

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 2015, the Intermediate School had no investments.

F. Capital Assets

The Intermediate School's capital assets during fiscal year 2015 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 fair market 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 ranging from five to 15 years.

G. 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 one employee that it anticipates as being probable to retire.

H. 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.

I. 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.

J. 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.

K. 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 – Changes in Accounting Principles

For fiscal year 2015, the Intermediate School has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions," and Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB Statement No. 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	$34,217
Adjustments:	
Net Pension Liability	(1,378,538)
Deferred Outflow - Payments Subsequent to Measurement Date	84,422
Restated Net Position June 30, 2014	($1,259,899)

Other than employer contributions subsequent to the measurement date, the Intermediate School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Intermediate School's deposits may not be returned. The Intermediate School does not have a deposit policy for custodial credit risk. At June 30, 2015, the bank balance of the Intermediate School's deposits was $142,384. All of the bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the Intermediate School.

Note 5 – Capital Asset

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Equipment	$188,618	$0	$0	$188,618
Less Accumulated Depreciation	(69,768)	(27,194)	0	(96,962)
Capital Assets, Net	$118,850	($27,194)	$0	$91,656

Note 6 – Intergovernmental Receivable

Receivables at June 30, 2015, 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	$10,612
SERS amount owed to Intermediate School	1,755
Total	$12,367

Note 7 – 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, 2015, the Intermediate School maintains liability insurance through the Maysville Local School District's policy. Employees are fully insured for health coverage through Medical Mutual of Ohio and through the Guardian Life Insurance Company of America for dental and vision benefits.

Note 8 – Purchased Services

For the period July 1, 2014 through June 30, 2015, purchased service expenses were for the following services:

Type	Amount
Professional and Technical Services	$98,782
Audit Services	7,778
Rent	192,480
Total	$299,040

Note 9 – 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 2015, the Intermediate School paid the Sponsor $192,480 for rent, utilities, and other support services provided to the Intermediate School. As of June 30, 2015, 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 10 – 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 –The 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 year 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Intermediate School's contractually required contribution to SERS was $21,393 for fiscal year 2015. Of this amount $2,272 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The Intermediate School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement 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 will be 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 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 that 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.

The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Intermediate School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates. The Intermediate School's contractually required contribution to STRS was $92,764 for fiscal year 2015. Of this amount $39,488 is reported as an intergovernmental payable.

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, 2014, 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
Proportionate Share of the Net Pension Liability	$222,480	$1,151,577	$1,374,057
Proportion of the Net Pension Liability	0.004396%	0.00473443%	
Pension Expense	$19,127	$93,286	$112,413

At June 30, 2015, 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	$1,894	$11,086	$12,980
Changes in proportion share of contributions	21,482	182,221	203,703
School District contributions subsequent to the measurement date	21,393	92,764	114,157
Total Deferred Outflows of Resources	$44,769	$286,071	$330,840
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$36,109	$213,046	$249,155

$114,157 reported as deferred outflows of resources related to pension resulting from the 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, 2016.

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:			
2016	($3,178)	($4,935)	($8,113)
2017	(3,178)	(4,935)	(8,113)
2018	(3,179)	(4,935)	(8,114)
2019	(3,198)	(4,934)	(8,132)
Total	($12,733)	($19,739)	($32,472)

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, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. 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 (7.75 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 7.75 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 (6.75 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%)
School District's proportionate share of the net pension liability	$317,411	$222,480	$142,633

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
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 paid 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 set-back 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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real 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 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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 from future plan members, are not included. 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, 2014. 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, 2014.

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%)
School District's proportionate share of the net pension liability	$1,648,608	$1,151,577	$731,256

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, 2015, none of the Board of Education members elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

A. School Employees Retirement System

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. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. 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 2015, the Intermediate School's surcharge obligation was $2,904.

The Intermediate School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were $4,085, $2,435, and $2,238, respectively. For fiscal year 2015, 26.05 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

Plan Description – The Intermediate School participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS 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 authority over how much, if any, of the health care costs will be absorbed by STRS. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The Intermediate School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $7,417, and $3,247, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

Note 12 - 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, 2015.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Intermediate School. These reviews are conducted to ensure that the Intermediate School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The ODE funding review of fiscal year 2014 resulted in an overpayment to the Intermediate School in the amount of $304 which was returned to ODE during fiscal year 2015. The ODE funding review of fiscal year 2015 resulted in an overpayment of $4,858 for the first adjustment posted to the State foundation settlement in August, 2015. This overpayment is shown as unearned revenue and a reduction to intergovernmental revenue on the fiscal year 2015 financial statements. The ODE second adjustment for the fiscal year 2015 review is not available at this time.

C. Litigation

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

Note 13 – Long-Term Obligations

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

	Outstanding 6/30/2014	Additions	Deletions	Outstanding 6/30/2015	Due Within One Year
Compensated Absences	$6,111	$544	$0	$6,655	$0
Net Pension Liability:					
SERS	234,563	0	12,083	222,480	0
STRS	1,143,975	7,602	0	1,151,577	0
Total Net Pension Liability	1,378,538	7,602	12,083	1,374,057	0
Total Long-Term Obligations	$1,384,649	$8,146	$12,083	$1,380,712	$0

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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 Two Fiscal Years (1)

	2014	2013
Intermediate School's Proportion of the Net Pension Liability	0.004396%	0.003948%
Intermediate School's Proportionate Share of the Net Pension Liability	$222,480	$234,563
Intermediate School's Covered-Employee Payroll	$133,312	$119,794
Intermediate School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	166.89%	195.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented 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 Two Fiscal Years (1)

	2014	2013
Intermediate School's Proportion of the Net Pension Liability	0.00473443%	0.00394829%
Intermediate School's Proportionate Share of the Net Pension Liability	$1,151,577	$1,143,975
Intermediate School's Covered-Employee Payroll	$507,271	$423,038
Intermediate School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	227.01%	270.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented 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 Five Fiscal Years

	2015	2014	2013	2012	(1) 2011
Contractually Required Contribution	$21,393	$18,477	$16,579	$15,543	$6,145
Contributions in Relation to the Contractually Required Contribution	(21,393)	(18,477)	(16,579)	(15,543)	(6,145)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Intermediate School Covered-Employee Payroll	$162,314	$133,312	$119,794	$115,559	$48,891
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%

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

Foxfire Intermediate School

Required Supplementary Information

Schedule of the Intermediate School Contributions

State Teachers Retirement System of Ohio

Last Five Fiscal Years

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

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

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2016. We noted the Intermediate School adopted Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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.

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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 communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

February 18, 2016

Dave Yost • Auditor of State

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 17, 2016

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