



Dave Yost • Auditor of State

**FOXFIRE HIGH SCHOOL
MUSKINGUM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position.....	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements.....	11
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	19

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Foxfire High 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 Foxfire High School, Muskingum County, Ohio, a component unit of Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Foxfire High 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 Foxfire High 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 Foxfire High 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 Foxfire High School, Muskingum County, as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2015, on our consideration of the Foxfire High 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 Foxfire High School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 4, 2015

Foxfire High School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of the Foxfire High School's financial performance provides an overall review of the Foxfire High School's financial activities for the fiscal year ended June 30, 2014. Readers should also review the basic financial statements and notes to enhance their understanding of the Foxfire High School's financial performance.

Highlights

The Foxfire High School opened for its first year of operation in fiscal year 2004 for high school age students and above who have dropped out or are at risk of dropping out of school. During fiscal year 2014, the Foxfire High School provided services to 257 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 High School did financially during fiscal year 2014. 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 year's revenues and expenses regardless of when cash is received or paid.

These statements report the Foxfire High School's net position and changes in position. The change in net position is important because it tells the reader whether the financial position of the Foxfire High 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 Foxfire High School's activities are reported in a single enterprise fund.

Table 1 provides a summary of the Foxfire High School's net position for 2014 compared to 2013:

Table 1 - Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>
<u>Assets:</u>			
Current and Other Assets	\$697,359	\$281,811	\$415,548
Depreciable Capital Assets, Net	105,188	98,825	6,363
Total Assets	<u>802,547</u>	<u>380,636</u>	<u>421,911</u>
<u>Liabilities:</u>			
Current and Other Liabilities	234,415	301,685	(67,270)
Long-Term Liabilities	31,475	29,304	2,171
Total Liabilities	<u>265,890</u>	<u>330,989</u>	<u>(65,099)</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	105,188	98,825	6,363
Unrestricted	431,469	(49,178)	480,647
Total Net Position	<u>\$536,657</u>	<u>\$49,647</u>	<u>\$487,010</u>

Foxfire High School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Total assets increased by \$421,911 during fiscal year 2014. This increase is directly attributable to an increase in cash and cash equivalents in the amount of \$165,907, an increase in intergovernmental receivables in the amount of \$246,317, an increase in inventory held for resale in the amount of \$3,324, and an increase in capital assets in the amount of \$6,363. The increase in cash and cash equivalents is due to an increase in average student enrollment. Student enrollment increased by 21 students and as a result of the increased funding through the State foundation program increased in the amount of \$408,223. Intergovernmental receivables increased during fiscal year 2014 due primarily to an increase in receivables related to the Straight A and Title I grants for fiscal year 2014. Title I grants receivable increased in the amount of \$29,346 for fiscal year 2014 due to the increase in students that received services through the Title I program. The Straight A grant was new during fiscal year 2014. This grant will help purchase new equipment and technology services and provide for professional development. Capital assets increased as a result of the purchase of new equipment.

Total liabilities decreased \$65,099 during fiscal year 2014. Long-term liabilities increased in the amount of \$2,171 due to an increase in compensated absences. The \$67,270 decrease in current and other liabilities is due primarily to a decrease in accounts payable and a decrease in intergovernmental payables. The decrease in accounts payable is due mainly to a large payable owed to Compass Learning, Inc. in the amount of \$31,535 for purchased services during fiscal year 2013 that did not reoccur during fiscal year 2014. The decrease in intergovernmental payables is due to a decrease in the amount owed to the School Employees Retirement System at fiscal year-end 2014 compared to fiscal year-end 2013. The amount owed to the State Teachers Retirement System (STRS) was higher at fiscal year-end 2013 compared to fiscal year-end 2014 due to an overpayment to STRS during fiscal year 2014 in the amount of \$16,824.

This space intentionally left blank.

Foxfire High School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 reflects the changes in net position for fiscal year ended June 30, 2014 and comparisons to fiscal year 2013.

Table 2 - Change in Net Position

	2014	2013	Change
<u>Operating Revenues:</u>			
Foundation	\$2,115,069	\$1,706,846	\$408,223
Charges for Services	16,938	31,405	(14,467)
Total Operating Revenues	<u>2,132,007</u>	<u>1,738,251</u>	<u>393,756</u>
<u>Non-Operating Revenues:</u>			
State and Federal Grants	709,354	387,166	322,188
Interest	1,004	2,479	(1,475)
Other Non-Operating Revenue	4,050	16,014	(11,964)
Total Non-Operating Revenues	<u>714,408</u>	<u>405,659</u>	<u>308,749</u>
Total Revenues	<u>2,846,415</u>	<u>2,143,910</u>	<u>702,505</u>
<u>Operating Expenses:</u>			
Salaries	1,069,330	1,265,238	(195,908)
Fringe Benefits	306,981	386,943	(79,962)
Purchased Services	800,357	792,503	7,854
Materials and Supplies	155,174	76,458	78,716
Depreciation	10,253	9,082	1,171
Other Operating Expenses	17,310	9,953	7,357
Total Operating Expenses	<u>2,359,405</u>	<u>2,540,177</u>	<u>(180,772)</u>
Operating Loss Before Contributions	487,010	(396,267)	883,277
Capital Contributions from Sponsor School District	0	15,533	(15,533)
Change in Net Position	487,010	(380,734)	867,744
Net Position Beginning of Year	49,647	430,381	(380,734)
Net Position End of Year	<u>536,657</u>	<u>49,647</u>	<u>487,010</u>

During fiscal year 2014, operating revenues increased in the amount of \$393,756. This increase is primarily due to an increase in foundation revenue in the amount of \$408,223 as a result of increases in student enrollment from fiscal year 2013 to fiscal year 2014. Non-operating revenues increased in the amount of \$308,749. State and federal grants increased due primarily to increases in funding for the Title I grant in the amount of \$44,923 in fiscal year 2014. In addition, new Straight A grant funding in the amount of \$247,456 was awarded in fiscal year 2014.

During fiscal year 2014, operating expenses decreased \$180,772. The decrease in operating expenses is primarily due to decreases in salaries and fringe benefits due to a slight decrease in staff during fiscal year 2014. Materials and supplies purchases increased in the amount of \$78,716 during fiscal 2014 due to fewer purchases during fiscal year 2013. Foxfire High School experienced a decrease in cash flow during fiscal year 2013 and as a result, material and supplies purchases during fiscal year 2013 were decreased.

Foxfire High School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Budgeting

The Foxfire High 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 2014, the Foxfire High School had \$105,188 in capital assets. See Note 4 for additional information regarding capital assets.

Debt

The Foxfire High School did not incur any debt during fiscal year 2014.

Current Design

The Foxfire High School is different than a traditional high school in that the Foxfire High School is designed to operate as an open, non-discriminatory manner where students can work at their own pace to earn a high school diploma. The School operates under the "Care Team" philosophy by joining forces with the area social agencies in an effort to increase a student's developmental assets and eliminate the barriers to academic achievement. The Foxfire High School's staff meets weekly with its "Care Team" to identify the students who are struggling, determine barriers and provide supportive services to help those students overcome their problems so they can achieve success in school.

Contacting the Foxfire High School's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Foxfire High School's finances and to show the Foxfire High 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 High School, 2805 Pinkerton Road, Zanesville, Ohio 43701. You may also E-mail the treasurer at lsidwell@laca.org.

Foxfire High School
Statement of Net Position
June 30, 2014

Assets:

Current Assets:

Cash and Cash Equivalents	\$414,310
Intergovernmental Receivable	276,805
Inventory Held for Resale	5,679
Materials and Supplies Inventory	565
Total Current Assets	<u>697,359</u>

Noncurrent Assets:

Depreciable Capital Assets, Net	<u>105,188</u>
Total Assets	<u>802,547</u>

Liabilities:

Current Liabilities:

Accounts Payable	7,829
Accrued Wages and Benefits Payable	185,778
Intergovernmental Payable	28,761
Vacation Benefit Payable	12,047
Total Current Liabilities	<u>234,415</u>

Long-Term Liabilities:

Due In More Than One Year	<u>31,475</u>
Total Liabilities	<u>265,890</u>

Net Position:

Net Investment in Capital Assets	105,188
Unrestricted	<u>431,469</u>
Total Net Position	<u>\$536,657</u>

See accompanying notes to the basic financial statements

Foxfire High School
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

<hr/> <hr/>	
<u>Operating Revenues:</u>	
Foundation	\$2,115,069
Charges for Services	16,938
Total Operating Revenues	<u>2,132,007</u>
<u>Operating Expenses:</u>	
Salaries	1,069,330
Fringe Benefits	306,981
Purchased Services	800,357
Materials and Supplies	155,174
Depreciation	10,253
Other Operating Expenses	17,310
Total Operating Expenses	<u>2,359,405</u>
Operating Loss	<u>(227,398)</u>
<u>Non-Operating Revenues:</u>	
State and Federal Grants	709,354
Interest	1,004
Other Non-Operating Revenues	4,050
Total Non-Operating Revenues	<u>714,408</u>
Change in Net Position	487,010
Net Position Beginning of Year	49,647
Net Position End of Year	<u><u>\$536,657</u></u>

See accompanying notes to the basic financial statements

Foxfire High School
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$2,115,069
Cash Received from Charges for Services	16,938
Cash Payments for Employee Services and Benefits	(1,407,751)
Cash Payments to Suppliers for Goods and Services	(986,895)
Other Operating Expenses	(20,578)
Other Non-Operating Revenues	4,050

Net Cash Used for Operating Activities (279,167)

Cash Flows from Noncapital Financing Activities:

State and Federal Grants Received 456,226

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets (12,156)

Cash Flows from Investing Activities:

Interest on Investments 1,004

Net Increase in Cash and Cash Equivalents 165,907

Cash and Cash Equivalents Beginning of Year 248,403

Cash and Cash Equivalents End of Year \$414,310

Reconciliation of Operating Loss to

Net Cash Used for Operating Activities:

Operating Loss (\$227,398)

Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	10,253
Non-Operating Revenues	4,050

Changes in Assets and Liabilities:

Decrease in Intergovernmental Receivable	6,811
Increase in Inventory Held for Resale	(3,324)
Decrease in Accounts Payable	(35,171)
Decrease in Accrued Wages and Benefits Payable	(5,016)
Increase in Vacation Benefits Payable	2,089
Decrease in Due to Primary Government	(304)
Decrease in Intergovernmental Payable	(33,328)
Increase in Compensated Absences Payable	2,171

Net Cash Used for Operating Activities (\$279,167)

See accompanying notes to the basic financial statements

This page intentionally left blank.

Foxfire High School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School

The Foxfire High School is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Foxfire High 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 Foxfire High School's tax exempt status. The Foxfire High School's mission is to help at-risk students meet Ohio's graduation requirements. The Foxfire High School focuses on ensuring that basic survival needs are met so that students can achieve success in school. The Foxfire High School serves high school age students and above who have dropped out or are at risk of dropping out of school. A particular emphasis is placed on assisting parents and/or pregnant students obtain a high school diploma.

The Foxfire High School was created on September 3, 2003 by entering a contract with the Maysville Local School District (the Sponsor). The Sponsor is responsible for evaluating the performance of the Foxfire High School and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of Foxfire High School with the Treasurer of the Sponsor serving as the Treasurer for Foxfire High School.

The Foxfire High 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 Foxfire High School's staff of eight noncertified and ten certificated full time teaching personnel who provide services to 257 students. Foxfire High School is a component unit of the Sponsor. The Sponsor is able to impose its will on Foxfire High School and due to their relationship with the Sponsor it would be misleading to exclude them. The Sponsor can suspend the Foxfire High School's operations for any of the following reasons: 1) The Foxfire High School's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Foxfire High School's failure to meet generally accepted standards of fiscal management, 3) The Foxfire High 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 Foxfire High School and the students it serves. The Foxfire High School uses the facilities provided by the Sponsor. In the beginning of the Foxfire High School, the employees were considered employees of the Sponsor. Beginning January 1, 2011, the employees became employees of Foxfire High School.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Foxfire High 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 Foxfire high School's accounting policies are described below.

A. Basis of Presentation

The Foxfire High 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.

Foxfire High School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The Foxfire High 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 liabilities associated with the operation of the Foxfire High 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 Foxfire High 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 Foxfire High 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 Foxfire High 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 Foxfire High School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Foxfire High School on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by Foxfire High School's contract with its Sponsor. The contract between Foxfire High 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 Foxfire High 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 2014, the Foxfire High School had no investments. The interest earnings received by Foxfire High School were from an interest bearing checking account.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

Foxfire High School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

G. Capital Assets

Foxfire High School's capital assets during fiscal year 2014 consisted of computer equipment, video equipment, signs, athletic equipment, and kitchen equipment. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. Foxfire High School maintains a capitalization threshold of one thousand dollars. All of Foxfire High School's reported capital assets are depreciated using the straight-line method over the useful lives ranging from five to 20 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 Foxfire High School will compensate the employees for the benefits through paid time off or some other means. Foxfire High 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 Foxfire High 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 Foxfire High School's termination policy. Foxfire High School currently has two employees that it anticipates as being probable to retire.

I. Net Position

Net position represents the difference between assets and liabilities. Net position are 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 government-wide 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 Foxfire High 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 Foxfire High 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 Foxfire High School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Foxfire High School. All revenues and expenses not meeting this definition are reported as non-operating.

Foxfire High School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

Note 3 - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, Foxfire High School's deposits may not be returned. Foxfire High School does not have a deposit policy for custodial credit risk. At June 30, 2014, the bank balance of Foxfire High School's deposits was \$431,176. \$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", \$181,176 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 Note

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Equipment	\$120,851	\$16,616	\$0	\$137,467
Less Accumulated Depreciation	(22,026)	(10,253)	0	(32,279)
Capital Assets, Net	\$98,825	\$6,363	\$0	\$105,188

Note 5 – Intergovernmental Receivable

Receivables at June 30, 2014, 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
Governmental Activities	
Food Service	\$1,410
Title VI-B	12,285
Title I	47,193
Race to the Top	4,296
Straight A	211,611
Miscellaneous	10
Total	\$276,805

Note 6 – Risk Management

Foxfire High School is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the fiscal year ended June 30, 2014, Foxfire High 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.

Foxfire High School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 – Purchased Services

For the period July 1, 2013 through June 30, 2014, purchased service expenses were for the following services:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$294,537
Rental Services	<u>505,820</u>
Total	<u>\$800,357</u>

Note 8 – Related Party Transactions

The Board of Directors of Foxfire High School consists of five community members recommended by the Executive Director of Foxfire High School after consulting with Maysville Local School District's (Sponsor) Superintendent. The Foxfire High School is presented as a component unit of the Sponsor. During fiscal year 2014, \$619,509 was paid to the Sponsor for rent, utilities, and other support services provided to the Foxfire High School. The Foxfire High School is located in a portion of facilities previously utilized by the Sponsor. As of June 30, 2014, there were no outstanding expenses owed to the sponsor.

Note 9 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – Foxfire High School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan, for employees. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and Foxfire High 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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. Foxfire High School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$41,287, \$61,693, and \$42,433, respectively. For fiscal year 2014, 73.06 percent has been contributed, with the balance being reported in intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Foxfire High School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. Foxfire High School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent.

Foxfire High School's required contributions to STRS Ohio for the DB Plan was \$73,813 for fiscal year ended June 30, 2014, \$105,396 for fiscal year ended June 30, 2013, and \$117,613 for fiscal year ended June 30, 2012. For fiscal year 2014, 95.95 percent has been contributed for the DB Plan with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2013 and 2012. Foxfire High School had no participates in the defined benefit portion of the Combined Plan.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$56 made by Foxfire High School and \$44 made by the plan members.

Note 10 – Post Employment Benefits

A. School Employees Retirement System

Plan Description – Foxfire High School participates in two cost-sharing multiple employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program.

Foxfire High School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, Foxfire High School paid \$6,247 in surcharge.

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

Foxfire High School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$6,744, \$8,577, and \$6,178, respectively. For fiscal year 2014, 4.41 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. Foxfire High School's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,408, \$3,527, and \$2,497, respectively. For fiscal year 2014, 73 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2013 and 2012.

B. State Teachers Retirement System

Plan Description – Foxfire High School participates in the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the 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 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. Foxfire High School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$5,682, \$8,164, and \$9,047, respectively. For fiscal year 2014, 95.95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effectively July 1, 2014.

Foxfire High School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 11 - Contingencies

A. Grants

The Foxfire High 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 Foxfire High School at June 30, 2014.

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 Foxfire High School. These reviews are conducted to ensure the Foxfire High School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. During fiscal year 2014, the Foxfire High School received \$14,249 from the Ohio Department of Education for underpayments during fiscal year 2013. The Ohio Department of Education funding review of fiscal year 2014 reflected an underpayment of \$159.

Note 12 – Long-Term Obligations

The changes in Foxfire High School’s long-term obligations during the year consist of the following:

	<u>Outstanding</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>6/30/2014</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>\$29,304</u>	<u>\$2,171</u>	<u>\$0</u>	<u>\$31,475</u>	<u>\$0</u>



Dave Yost • Auditor of State

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

Foxfire High 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 Foxfire High School, Muskingum County, Ohio, a component unit of Maysville Local School District, Muskingum County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated February 4, 2015.

Internal Control Over Financial Reporting

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 4, 2015



Dave Yost • Auditor of State

FOXFIRE HIGH 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
FEBRUARY 17, 2015**