FOXFIRE HIGH SCHOOL
MUSKINGUM COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FOXFIRE HIGH SCHOOL
MUSKINGUM COUNTY

TABLE OF CONTENTS

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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 (the High School), a component unit of 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 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 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 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, 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 High 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 16, 2016, on our consideration of the 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 High School's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2016

The discussion and analysis of the Foxfire High School's (High School) financial performance provides an overall review of the High 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 High School's financial performance.

Highlights

The 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 2015, the High School provided services to 259 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 High 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 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 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 High School's activities are reported in a single enterprise fund.

Table 1 provides a summary of the High School's net position for 2015 compared to 2014:

Table 1 - Net Position

	2015	2014	Change
Assets:			
Current and Other Assets	$763,378	$697,359	$66,019
Depreciable Capital Assets, Net	102,827	105,188	(2,361)
Total Assets	866,205	802,547	63,658
Deferred Outflows of Resources:			
Pension	169,514	141,561	27,953
Liabilities:			
Current and Other Liabilities	237,903	234,415	3,488
Long-Term Liabilities:			
Net Pension Liability	2,340,243	2,777,629	(437,386)
Other Amounts Due in More than One Year	31,992	31,475	517
Total Liabilities	2,610,138	3,043,519	(433,381)
Deferred Inflows of Resources:			
Pension	418,848	0	418,848
Net Position:			
Net Investment in Capital Assets	102,827	105,188	(2,361)
Unrestricted	(2,096,094)	(2,204,599)	108,505
Total Net Position	($1,993,267)	($2,099,411)	$106,144

During fiscal year 2015, the High 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 High 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 High 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 High 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 High 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 High 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 $536,657 to ($2,099,411).

Total assets increased by $63,658 during fiscal year 2015. This increase is attributable to an increase in cash and cash equivalents in the amount of $285,302 and an increase materials and supplies inventory in the amount of $260. The increases were offset by a decrease in intergovernmental receivables in the amount of $218,997, a decrease in inventory held for resale in the amount of $546, and a decrease in capital assets in the amount of $2,361. The increase in cash and cash equivalents is primarily due to an increase in State foundation settlement payments in the amount of $126,477. The average student enrollment only increased by two students from fiscal year 2014 to fiscal year 2015. Intergovernmental receivables decreased during fiscal year 2015 due primarily to a decrease in receivables related to the Straight A and Title I grants for fiscal year 2015. The Straight A grant was new during fiscal year 2014. All of the Straight A grant monies were received between fiscal year 2014 and fiscal year 2015; therefore, resulting in the large decrease in intergovernmental receivables. This grant was used to help purchase new equipment and technology services and provide for professional development. Capital assets decreased as a result of current year depreciation exceeding current year purchases of new equipment.

Total liabilities decreased $433,381 during fiscal year 2015. The main reason for this decrease is attributed to the decrease in the net pension liability in the amount of $437,386. Other amounts due in more than one year increased in the amount of $517 due to an increase in compensated absences. The $3,488 increase in current and other liabilities is due primarily to increases in accounts payables.

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	$2,241,546	$2,115,069	$126,477
Charges for Services	15,925	16,938	(1,013)
Total Operating Revenues	2,257,471	2,132,007	125,464
Non-Operating Revenues:			
State and Federal Grants	510,100	709,354	(199,254)
Interest	1,553	1,004	549
Other Non-Operating Revenue	13,174	4,050	9,124
Total Non-Operating Revenues	524,827	714,408	(189,581)
Total Revenues	2,782,298	2,846,415	(64,117)
Operating Expenses:			
Salaries	1,063,595	1,069,330	(5,735)
Fringe Benefits	369,282	306,981	62,301
Purchased Services	1,074,247	800,357	273,890
Materials and Supplies	131,096	155,174	(24,078)
Depreciation	12,682	10,253	2,429
Other Operating Expenses	25,252	17,310	7,942
Total Operating Expenses	2,676,154	2,359,405	316,749
Change in Net Position	106,144	487,010	(380,866)
Net Position Beginning of Year	(2,099,411)	N/A	
Net Position End of Year	($1,993,267)	($2,099,411)	$106,144

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 $141,561 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 $101,186. 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	$2,676,154
Pension expense under GASB 68	(101,186)
2015 contractually required contribution	147,677
Adjusted 2015 program expenses	2,722,645
Total 2014 program expenses under GASB 27	2,359,405
Increase in program expenses not related to pension	$363,240

During fiscal year 2015, operating revenues increased in the amount of $125,464. This increase is primarily due to an increase in foundation revenue in the amount of $126,477. The average student enrollment increased by two students from fiscal year 2014 to fiscal year 2015. Non-operating revenues decreased in the amount of $189,581. State and federal grants were the main reason for this decrease. The Straight A grant was a one year grant and was awarded in fiscal year 2014 in the amount of $247,456. The decrease in Straight A funding for fiscal year 2015 was offset by increases in grant funding for Title VI-B in the amount of $19,305 and by increases in Title I funding in the amount of $19,501.

During fiscal year 2015, salaries and purchased services both accounted for 40 percent each of the operating expenses. Fringe benefits accounted for 14 percent, materials and supplies accounted for 5 percent, and depreciation and other operating expenses together accounted for 1 percent of operating expenses.

Budgeting

The 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 2015, the High School had $102,827 in capital assets. See Note 5 for additional information regarding capital assets.

Debt - The High School did not incur any debt during fiscal year 2015**.** The net pension liability under GASB 68 is reported as a long-term obligation that has been previously disclosed within the management's discussion and analysis. See Note 13 for more detailed information of the High School's debt.

Current Design

The High School is different than a traditional high school in that the 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 High 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 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 High School's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the High School's finances and to show the 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, 2015

Assets:	
Current Assets:	
Cash and Cash Equivalents	$699,612
Intergovernmental Receivable	57,808
Inventory Held for Resale	5,133
Materials and Supplies Inventory	825
Total Current Assets	763,378
Noncurrent Assets:	
Depreciable Capital Assets, Net	102,827
Total Assets	866,205
Deferred Outflows of Resources:	
Pension	169,514
Liabilities:	
Current Liabilities:	
Accounts Payable	18,607
Accrued Wages and Benefits Payable	179,909
Intergovernmental Payable	25,200
Vacation Benefit Payable	14,187
Total Current Liabilities	237,903
Long-Term Liabilities:	
Net Pension Liability (See Note 10)	2,340,243
Other Amounts Due in More Than One Year	31,992
Total Long-Term Liabilities	2,372,235
Total Liabilities	2,610,138
Deferred Inflows of Resources:	
Pension	418,848
Net Position:	
Net Investment in Capital Assets	102,827
Unrestricted (Deficit)	(2,096,094)
Total Net Position	($1,993,267)

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, 2015

Operating Revenues:	
Foundation	$2,241,546
Charges for Services	15,925
Total Operating Revenues	2,257,471
Operating Expenses:	
Salaries	1,063,595
Fringe Benefits	369,282
Purchased Services	1,074,247
Materials and Supplies	131,096
Depreciation	12,682
Other Operating Expenses	25,252
Total Operating Expenses	2,676,154
Operating Loss	(418,683)
Non-Operating Revenues:	
State and Federal Grants	510,100
Interest	1,553
Other Non-Operating Revenues	13,174
Total Non-Operating Revenues	524,827
Change in Net Position	106,144
Net Position Beginning of Year - Restated (Note 3)	(2,099,411)
Net Position End of Year	($1,993,267)

See accompanying notes to the basic financial statements

Foxfire High 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	$2,238,730
Cash Received from Charges for Services	15,925
Cash Payments for Employee Services and Benefits	(1,486,123)
Cash Payments to Suppliers for Goods and Services	(1,195,287)
Other Operating Expenses	(24,262)
Other Non-Operating Revenues	7,939
Net Cash Used for Operating Activities	(443,078)
Cash Flows from Noncapital Financing Activities:	
State and Federal Grants Received	737,148
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(10,321)
Cash Flows from Investing Activities:	
Interest on Investments	1,553
Net Increase in Cash and Cash Equivalents	285,302
Cash and Cash Equivalents Beginning of Year	414,310
Cash and Cash Equivalents End of Year	$699,612
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($418,683)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	12,682
Non-Operating Revenues	7,939
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(2,816)
Decrease in Inventory Held for Resale	546
Increase in Materials and Supplies Inventory	(260)
Increase in Deferred Outflows - Pension	(27,953)
Increase in Accounts Payable	10,778
Decrease in Accrued Wages and Benefits Payable	(5,869)
Increase in Vacation Benefits Payable	2,140
Decrease in Intergovernmental Payable	(3,561)
Increase in Compensated Absences Payable	517
Increase in Deferred Inflows - Pension	418,848
Decrease in Net Pension Liability	(437,386)
Net Cash Used for Operating Activities	($443,078)

See accompanying notes to the basic financial statements

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Note 1 - Description of the School

The Foxfire High School (High School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The 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 High School's tax exempt status. The High School's mission is to help at-risk students meet Ohio's graduation requirements. The High School focuses on ensuring that basic survival needs are met so that students can achieve success in school. The 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 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 High School and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of High School with the Treasurer of the Sponsor serving as the Treasurer for the High School.

The 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 High School's staff of ten noncertified and sixteen certificated full time teaching personnel who provide services to 259 students. The High School is a component unit of the Sponsor. The Sponsor is able to impose its will on High School and due to their relationship with the Sponsor it would be misleading to exclude them. The Sponsor can suspend the High School's operations for any of the following reasons: 1) The High School's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The High School's failure to meet generally accepted standards of fiscal management, 3) The 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 High School and the students it serves. The High School uses the facilities provided by the Sponsor. In the beginning of the High School, the employees were considered employees of the Sponsor. Beginning January 1, 2011, the employees became employees of the High School.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The 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.

The 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the 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 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 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 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 High School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the High 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 High 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 High 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 High School's contract with its Sponsor. The contract between 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 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 2015, the High School had no investments. The interest earnings received by 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.

G. Capital Assets

The High School's capital assets during fiscal year 2015 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. The High School maintains a capitalization threshold of one thousand dollars. All of the High School's reported capital assets are depreciated using the straight-line method over the useful lives ranging from five to 15 years.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the High School will compensate the employees for the benefits through paid time off or some other means. The 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 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 the High School's termination policy. The High School currently has three 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 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 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 High School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the High School. All revenues and expenses not meeting this definition are reported as non-operating.

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.

L. 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 – Changes in Accounting Principles

For fiscal year 2015, the High 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	$536,657
Adjustments:	
Net Pension Liability	(2,777,629)
Deferred Outflow - Payments Subsequent to Measurement Date	141,561
Restated Net Position June 30, 2014	($2,099,411)

Other than employer contributions subsequent to the measurement date, the High 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 High School's deposits may not be returned. The High School does not have a deposit policy for custodial credit risk. At June 30, 2015, the bank balance of the High School's deposits was $707,723. $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", $457,723 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 – Capital Asset Note

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	$137,467	$10,321	$0	$147,788
Less Accumulated Depreciation	(32,279)	(12,682)	0	(44,961)
Capital Assets, Net	$105,188	($2,361)	$0	$102,827

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
Governmental Activities	
Title I	$32,817
Title VI-B	16,930
SERS Overpayment Refund	5,245
State Foundation Audit Adjustment	2,816
Total	$57,808

Note 7 – Risk Management

The High School is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. The 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.

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	$659,911
Rental Services	414,336
Total	$1,074,247

Note 9 – Related Party Transactions

The Board of Directors of the High School consists of five community members recommended by the Executive Director of the High School after consulting with Maysville Local School District's (Sponsor) Superintendent. The High School is presented as a component unit of the Sponsor. During fiscal year 2015, $414,336 was paid to the Sponsor for rent, utilities, and other support services provided to the High School. The High School is located in a portion of facilities previously utilized by the Sponsor. As of June 30, 2015, there were no outstanding expenses owed to 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 High 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 High School's obligation for this liability to annually required payments. The High School cannot control benefit terms or the manner in which pensions are financed; however, the High 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 High 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 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, 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 High School's contractually required contribution to SERS was $50,772 for fiscal year 2015. Of this amount $4,156 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The High 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 High 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 High School's contractually required contribution to STRS was $96,905 for fiscal year 2015. Of this amount $8,193 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 High School's proportion of the net pension liability was based on the High 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	$621,382	$1,718,861	$2,340,243
Proportion of the Net Pension Liability	0.012278%	0.00706668%	
Pension Expense	$33,622	$67,564	$101,186

At June 30, 2015, the High School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$5,289	$16,548	$21,837
School District contributions subsequent to the measurement date	50,772	96,905	147,677
Total Deferred Outflows of Resources	$56,061	$113,453	$169,514
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$100,852	$317,996	$418,848

$147,677 reported as deferred outflows of resources related to pension resulting from the High 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:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	($23,878)	($75,362)	($99,240)
2017	(23,878)	(75,362)	(99,240)
2018	(23,878)	(75,362)	(99,240)
2019	(23,929)	(75,362)	(99,291)
Total	($95,563)	($301,448)	($397,011)

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 High 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	$886,528	$621,382	$398,372

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 High School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the High 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 High 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	$2,460,737	$1,718,861	$1,091,484

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 – Post Employment Benefits

A. School Employees Retirement System

Health Care Plan Description – The High 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 High School's surcharge obligation was $6,808.

The High School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were $9,635, $6,744, and $8,577, respectively. For fiscal year 2015, 26.33 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 High 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 High School's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $5,682, and $8,164, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

Note 12 – Contingencies

A. Grants

The 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 High 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 High School. These reviews are conducted to ensure the High School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. During fiscal year 2015, the High School received $280 from the ODE for underpayments during fiscal year 2014. The ODE funding review of fiscal year 2015 resulted in an underpayment of $2,816 for the first adjustment. This adjustment was posted to the State foundation settlement in August, 2015. This underpayment was shown as an intergovernmental receivable on the fiscal year 2015 financial statements. The ODE second adjustment for the fiscal year 2015 review is not available at this time.

Note 13 – Long-Term Obligations

The changes in the High 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	$31,475	$517	$0	$31,992	$0
Net Pension Liability:					
SERS	730,133	0	108,751	621,382	0
STRS	2,047,496	0	328,635	1,718,861	0
Total Net Pension Liability	2,777,629	0	437,386	2,340,243	0
Total Long-Term Obligations	$2,809,104	$517	$437,386	$2,372,235	$0

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Foxfire High School

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Two Fiscal Years (1)

	2014	2013
High School's Proportion of the Net Pension Liability	0.012278%	0.012278%
High School's Proportionate Share of the Net Pension Liability	$621,382	$730,133
High School's Covered-Employee Payroll	$337,734	$375,733
High School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	183.99%	194.32%
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 High School's measurement date which is the prior fiscal year end.

Foxfire High School

Required Supplementary Information

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

State Teachers Retirement System of Ohio

Last Two Fiscal Years (1)

	2014	2013
High School's Proportion of the Net Pension Liability	0.00706668%	0.00706668%
High School's Proportionate Share of the Net Pension Liability	$1,718,861	$2,047,496
High School's Covered-Employee Payroll	$728,850	$835,908
High School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.83%	244.94%
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 High School's measurement date which is the prior fiscal year end.

Foxfire High School

Required Supplementary Information

Schedule of the High School Contributions

School Employees Retirement System of Ohio

Last Five Fiscal Years

	2015	2014	2013	2012	(1) 2011
Contractually Required Contribution	$50,772	$46,810	$52,001	$44,939	$16,652
Contributions in Relation to the Contractually Required Contribution	(50,772)	(46,810)	(52,001)	(44,939)	(16,652)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
High School Covered-Employee Payroll	$385,221	$337,734	$375,733	$334,118	$132,472
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%

(1) - Foxfire High School contracted with the Sponsor District for employees prior to January 1, 2011.

Foxfire High School

Required Supplementary Information

Schedule of the High School Contributions

State Teachers Retirement System of Ohio

Last Five Fiscal Years

	2015	2014	2013	2012	(1) 2011
Contractually Required Contribution	$96,905	$94,751	$108,668	$110,496	$34,414
Contributions in Relation to the Contractually Required Contribution	(96,905)	(94,751)	(108,668)	(110,496)	(34,414)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
High School Covered-Employee Payroll	$692,179	$728,850	$835,908	$849,969	$264,723
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%

(1) - Foxfire High School contracted with the Sponsor District for employees prior to January 1, 2011.

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 (the High School), a component unit of 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 16, 2016. We noted the High 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 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 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 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 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 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 High School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

February 16, 2016

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
MARCH 1, 2016

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