FOXFIRE CENTER FOR STUDENT SUCCESS
MUSKINGUM COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2004

Auditor of State
Betty Montgomery

FOXFIRE CENTER FOR STUDENT SUCCESS
MUSKINGUM COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Foxfire Center for Student Success
Muskingum County
2805 Pinkerton Road
P.O. Box 1818
Zanesville, Ohio 43702

To the Board of Directors:

We have audited the accompanying basic financial statements of the Foxfire Center for Student Success, Muskingum County, Ohio (the Center), a component unit of Maysville Local School District, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foxfire Center for Student Success, Muskingum County, as of June 30, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Betty Montgomery

Betty Montgomery
Auditor of State

January 7, 2005

The discussion and analysis of the Foxfire Center for Student Success's (the Center) financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2004. Readers should also review the basic financial statements and notes to enhance their understanding of the Center's financial performance.

Highlights

The Center 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 2004, the Center provided services to 70 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 assets and the statement of revenues, expenses, and changes in net assets reflect how the Center did financially during fiscal year 2004. 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 Center's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Center 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 Center's activities are reported in a single enterprise fund.

Table 1 provides a summary of the Center's net assets for fiscal year 2004:

Table 1
Net Assets

Assets:	
Current and Other Assets	$176,104
Liabilities:	
Current and Other Liabilities	19,784
Net Assets:	
Restricted for Other Purposes	186
Unrestricted	156,134
Total Net Assets	$156,320

The Center had net assets of $156,320 after its first year of operation. The Center receives Foundation payments from the State based on the number of full-time equivalency students. During fiscal year 2004, the Center was awarded a $150,000 Federal Charter School Grant to offset start-up costs.

Table 2 reflects the changes in net assets for fiscal year 2004.

Table 2
Change in Net Assets

Operating Revenues:	
Foundation	$369,397
Non-Operating Revenues:	
Grants	160,728
Interest Revenue	340
Other Non-Operating Revenue	5,741
Total Revenues	536,206
Operating Expenses:	
Salaries	105,071
Fringe Benefits	41,252
Purchased Services	167,300
Materials and Supplies	59,616
Total Operating Expenses	373,239
Non-Operating Expenses:	
Other Non-Operating Expenses	6,647
Total Expenses	379,886
Total Increase in Net Assets	$156,320

Budgeting

The Center 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 2004, the Center did not have any capital assets.

Debt

The Center did not incur any debt during fiscal year 2004.

Contacting the Center's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Center's finances and to show the Center'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 Center for Student Success, PO Box 1818, Zanesville, Ohio 43702. You may also E-mail the treasurer at lsidwell@laca.org.

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Foxfire Center for Student Success

Statement of Net Assets

June 30, 2004

Assets:	
Current Assets:	
Cash and Cash Equivalents	$175,918
Restricted Assets:	
Cash and Cash Equivalents	186
Total Assets	176,104
Liabilities:	
Accrued Wages	14,889
Intergovernmental Payable	4,895
Total Liabilities	19,784
Net Assets:	
Restricted for Other Purposes	186
Unrestricted	156,134
Total Net Assets	$156,320

See accompanying notes to the basic financial statements

Foxfire Center for Student Success

Statement of Revenues, Expenditures, and Changes in Net Assets

For the Fiscal Year Ended June 30, 2004

Operating Revenues:	
Foundation	$369,397
Total Operating Revenues	369,397
Operating Expenses:	
Salaries	105,071
Fringe Benefits	41,252
Purchased Services	167,300
Materials and Supplies	59,616
Total Operating Expenses	373,239
Operating Loss	(3,842)
Non-Operating Revenues and (Expenses):	
Grants	160,728
Interest	340
Other Non-Operating Revenue	5,741
Other Non-Operating Expenses	(6,647)
Total Non-Operating Revenues and (Expenses)	160,162
Change in Net Assets	156,320
Net Assets Beginning of Year	0
Net Assets End of Year	$156,320

See accompanying notes to the basic financial statements

Foxfire Center for Student Success
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2004

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Foundation	$369,397
Cash Payments for Employee	
Services and Benefits	(126,539)
Cash Payments to Suppliers	
for Goods and Services	(226,916)
Other Non-Operating Revenues	5,741
Other Non-Operating Expenses	(6,647)
Net Cash Provided by Operating Activities	15,036
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	160,728
Net Cash Provided by Noncapital	
Financing Activities	160,728
Cash Flows from Investing Activities:	
Interest	340
Net Cash Provided by Investing Activities	340
Net Increase in Cash and Cash Equivalents	176,104
Cash and Cash Equivalents Beginning of Year	0
Cash and Cash Equivalents End of Year	$176,104
Reconciliation of Operating Loss to	
Net Cash Provided by Operating Activities:	
Operating Loss	($3,842)
Other Non-Operating Revenues and Expenses	(906)
Changes in Assets and Liabilities:	
Increase in Accrued Wages	14,889
Increase in Intergovernmental Payable	4,895
Net Cash Provided by Operating Activities	$15,036

See accompanying notes to the basic financial statements

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Note 1 - Description of the School

The Foxfire Center for Student Success (the Center), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center 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 Center's tax exempt status. The Center's mission is to help at-risk students meet Ohio's graduation requirements. The Center focuses on ensuring that basic survival needs are met so that students can achieve success in school. The Center 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 Center was created on September 3, 2003 by entering a four year contract with the Maysville Local School District (the Sponsor). The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Center with the Treasurer of the Sponsor completing the role of Treasurer for the Center.

The Center operates under the direction of a five-member Board of Directors made up of three-members from the Maysville Local School District and two-members from the public. The two public members represent the interest of the Muskingum County community. The Board of Directors approves the Center's staff of two noncertified and four certificated full time teaching personnel who provide services to 70 students. The Center is a component unit of the Sponsor. The Sponsor appoints a majority of the board and is able to impose it's will on the Center. The Sponsor can suspend the Center's operations for any of the following reasons: 1) The Center's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Center's failure to meet generally accepted standards of fiscal management, 3) The Center'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 Center and the students it serves. The Center used the facilities of the Sponsor.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Center 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 Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the Center's accounting policies are described below.

A. Basis of Presentation

The Center's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The Center 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 assets, 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

Fund Financial Statements

The enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Center are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the Center 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 Center'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 Center 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 Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center 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 the Center's contract with its Sponsor. The contract between the Center and its Sponsor does not prescribe an annual budget requirement in addition to preparing a 5-year forecast, which is updated on an annual basis.

E. Cash and Cash Equivalents

Cash received by the Center is reflected as "Cash and Cash Equivalents" on the statement of net assets. 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 2004, the Center had no investments.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Restricted Assets

There are certain resources set aside due to restricted state and federal grant funding.

H. Operating Revenues and Expenses

The Center 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.

The Center also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Center was awarded $150,000 to offset start-up costs of the Center. Revenue received from this program is recognized as non-operating revenue on the basic financial statements.

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

I. Compensated Absences

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 Center 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 Center's termination policy. The Center records a liability for accumulated unused sick leave for classified and certified employees after ten years of current service with the Center. At June 30, 2004 the Center has no outstanding compensated absences liability.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the Center's deposits was $176,104 and the bank balance was $188,457. Of the bank balance, $100,000 was covered by federal depository insurance and $88,457 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 4 – Defined Benefit Pension Plans

A. School Employees Retirement System

The Center contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2004 was $1,291; 50 percent has been contributed for fiscal year 2004. $643 represents the unpaid contribution for fiscal year 2004. The balance outstanding is recorded as a liability.

B. State Teachers Retirement System

The Center participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

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 times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Center's required contributions for pension obligations to the DB Plan for the fiscal year ended June 30, 2004 was $9,891; 72 percent has been contributed for fiscal year 2004. There were no contributions to the DC and Combined Plans for fiscal year 2004. $2,769 represents the unpaid contribution for fiscal year 2004. The balance outstanding is reflected as an intergovernmental payable.

Note 5 – Postemployment Benefits

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Center this amount equaled $761 for fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was $3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were $268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established as $25,400. For the Center, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled $1,399**.**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were $223,443,805 and the target level was $335.2 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

Note 6 – Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 245 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 58 days.

B. Life Insurance

The Sponsor provides the Center life insurance and accidental death and dismemberment insurance to most employees through Central Benefits National in the amount of $20,000 for all employees enrolled.

C. Retirement Incentive

Upon reaching 30 years of retirement credit in the State Teachers Retirement System (STRS), teachers become eligible to receive a $10,000 retirement bonus (incentive), providing they retire in their 30th year. The benefit will be paid in a lump sum payment in January following the effective fiscal year of retirement.

During fiscal year 2004, the Center did not make any retirement incentive payments and no retirement incentives were accrued as liabilities at fiscal year end.

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Note 7 – Risk Management

The Center is exposed to various risks of loss related to torts; error and omissions; and natural disasters. During fiscal year 2004, the Center contracted with Utica National Insurance Group for liability insurance.

During fiscal year 2004, the Center paid the Sponsor a monthly premium for workers' compensation coverage.

The Sponsor offers medical, dental, and vision insurance to employees through their self-insurance internal service fund. The Sponsor charges the Center monthly premiums. The Sponsor's fiscal agent pays the claims on the Center's behalf.

Note 8 – Related Party Transactions

Of the five member board of the Center, Maysville Local School District, (Sponsor), appoints three-members. The Center is presented as a component unit of the Sponsor. The Sponsor provides payroll services to the Center.

During fiscal year 2004, the Center paid the Sponsor $1,500 per full time equivalent student to cover administrative services and maintenance services provided by the Sponsor.

Note 9 - Contingencies

A. Grants

The Center 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 Center at June 30, 2004.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the Center is not presently determinable.

Note 10 – State School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient…"

The Center is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Foxfire Center for Student Success
Muskingum County
2805 Pinkerton Road
P.O. Box 1818
Zanesville, Ohio 43702

To the Board of Education:

We have audited the basic financial statements of the Foxfire Center for Student Success, Muskingum County, Ohio (the Center), a component unit of Maysville Local School District, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Center's management in a separate letter dated January 7, 2005.

This report is intended for the information and use of management and the Board of Directors, and is not intended to be, and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

January 7, 2005

Auditor of State
Betty Montgomery

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FOXFIRE CENTER FOR STUDENT SUCCESS

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 15, 2005