



Dave Yost • Auditor of State



**FOXFIRE HIGH SCHOOL  
MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Foxfire High School  
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 High School, Muskingum County, Ohio (the School), a component unit of the Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 High School, Muskingum County, Ohio, as of June 30, 2012, and the changes in its financial position and its 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 December 6, 2012, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

**Dave Yost**  
Auditor of State

December 6, 2012

**Foxfire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The discussion and analysis of the Foxfire High School's (the School's) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. Readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

**Highlights**

The 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 2012, the School provided services to 278 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 School did financially during fiscal year 2012. 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 School'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 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 School's activities are reported in a single enterprise fund.

Table 1 provides a summary of the School's net assets for 2012 compared to 2011:

Table 1 - Net Assets

	<u>2012</u>	<u>2011</u>	<u>Change</u>
<u>Assets:</u>			
Current and Other Assets	\$688,250	\$682,217	\$6,033
Depreciable Capital Assets, Net	50,413	46,010	4,403
Total Assets	<u>738,663</u>	<u>728,227</u>	<u>10,436</u>
<u>Liabilities:</u>			
Current and Other Liabilities	284,430	254,508	29,922
Long-Term Liabilities	23,852	18,293	5,559
Total Liabilities	<u>308,282</u>	<u>272,801</u>	<u>35,481</u>
<u>Net Assets:</u>			
Invested in Capital Assets	50,413	46,010	4,403
Unrestricted	379,968	409,416	(29,448)
Total Net Assets	<u>\$430,381</u>	<u>\$455,426</u>	<u>(\$25,045)</u>

**Foxfire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

Total assets increased \$10,436 during fiscal year 2012. This increase is directly attributable to an increase in cash and cash equivalents in the amount of \$58,641 and an increase in the amount of \$4,403 in capital assets which were offset by a decrease in intergovernmental receivables in the amount of \$53,041. The increase in cash and cash equivalents is due to an increase in funding through the State foundation program due to an increase in student enrollment. Intergovernmental receivables decreased during fiscal year 2012 due primarily to a decrease in receivables related to the Education Jobs grant for fiscal year 2012. Capital assets increased as a result of purchasing new equipment.

Total liabilities increased \$35,481 during fiscal year 2012. Long-term liabilities increased in the amount of \$5,559 due to an increase in compensated absences. The increase in current and other liabilities is due to an increase in accrued wages and benefits payable and an increase in intergovernmental payables. The increase is due to an increase in the number of staff due to the increase in students.

Table 2 reflects the changes in net assets for fiscal year ended June 30, 2012 and comparisons to fiscal year 2011.

Table 2 - Change in Net Assets

	2012	2011	Change
<u>Operating Revenues:</u>			
Foundation	\$2,008,297	\$1,906,071	\$102,226
Extracurricular Activities	3,142	0	3,142
Charges for Services	31,544	33,951	(2,407)
Total Operating Revenues	<u>2,042,983</u>	<u>1,940,022</u>	<u>102,961</u>
<u>Non-Operating Revenues:</u>			
State and Federal Grants	389,272	557,834	(168,562)
Interest	5,826	7,177	(1,351)
Other Non-Operating Revenue	10,863	13,963	(3,100)
Total Non-Operating Revenues	<u>405,961</u>	<u>578,974</u>	<u>(173,013)</u>
Total Revenues	<u>2,448,944</u>	<u>2,518,996</u>	<u>(70,052)</u>
<u>Operating Expenses:</u>			
Salaries	1,208,457	485,507	722,950
Fringe Benefits	330,504	136,048	194,456
Purchased Services	791,594	1,642,506	(850,912)
Materials and Supplies	133,999	82,957	51,042
Depreciation	5,647	4,610	1,037
Other Operating Expenses	3,788	22,043	(18,255)
Total Operating Expenses	<u>2,473,989</u>	<u>2,373,671</u>	<u>100,318</u>
Total Increase in Net Assets	<u>(\$25,045)</u>	<u>\$145,325</u>	<u>(\$170,370)</u>



**Foxfire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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During fiscal year 2012, operating revenues increased in the amount of \$102,961. This increase is primarily due to an increase in foundation revenue in the amount of \$102,226 due to an increase in student enrollment from fiscal year 2011 to fiscal year 2012. Non-operating revenues decreased in the amount of \$173,013. This decrease is due primarily to the decrease in State and federal grants. During fiscal year 2011, the School received \$163,912 in Education Stabilization and \$5,000 in Education Management Information System monies. These grant funding sources were eliminated for fiscal year 2012.

During fiscal year 2012, operating expenses increased \$100,318. The increase in operating expenses is primarily due to an increase in student enrollment. The School began employing personnel in January 2011 rather than contracting with the Sponsor to provide personnel. Fiscal year 2012 represents the first full fiscal year that the High School had personnel employed which resulted in a decrease in purchased services in the amount of \$850,912, an increase in salaries in the amount of \$722,950, and an increase in fringe benefits in the amount of \$194,456.

**Budgeting**

The 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 2012, the School had \$50,413 in capital assets. See Note 4 for additional information regarding capital assets.

Debt

The School did not incur any debt during fiscal year 2012.

**Current Design**

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

**Contacting the Foxfire High School's Financial Management**

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the School's finances and to show the 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, P.O. Box 1818, Zanesville, Ohio 43702. You may also E-mail the treasurer at [lsidwell@laca.org](mailto:lsidwell@laca.org).

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**Foxfire High School**  
*Statement of Net Assets*  
*June 30, 2012*

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Assets:

Current Assets:

Cash and Cash Equivalents	\$639,359
Accounts Receivable	1,692
Intergovernmental Receivable	45,804
Inventory Held for Resale	1,000
Materials and Supplies Inventory	395
Total Current Assets	<u>688,250</u>

Noncurrent Assets:

Depreciable Capital Assets, Net	<u>50,413</u>
Total Assets	<u>738,663</u>

Liabilities:

Current Liabilities:

Accounts Payable	24,307
Accrued Wages and Benefits Payable	188,174
Intergovernmental Payable	46,935
Vacation Benefit Payable	10,272
Due to Primary Government	2,080
Deferred Revenue	12,662
Total Current Liabilities	<u>284,430</u>

Long-Term Liabilities:

Due In More Than One Year	<u>23,852</u>
Total Liabilities	<u>308,282</u>

Net Assets:

Invested in Capital Assets	50,413
Unrestricted	379,968
Total Net Assets	<u>\$430,381</u>

See accompanying notes to the basic financial statements

**Foxfire High School**  
*Statement of Revenues, Expenses, and Changes in Net Assets*  
*For the Fiscal Year Ended June 30, 2012*

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<u>Operating Revenues:</u>	
Foundation	\$2,008,297
Extracurricular Activities	3,142
Charges for Services	31,544
Total Operating Revenues	<u>2,042,983</u>
 <u>Operating Expenses:</u>	
Salaries	1,208,457
Fringe Benefits	330,504
Purchased Services	791,594
Materials and Supplies	133,999
Depreciation	5,647
Other Operating Expenses	3,788
Total Operating Expenses	<u>2,473,989</u>
 Operating Loss	 <u>(431,006)</u>
 <u>Non-Operating Revenues:</u>	
State and Federal Grants	389,272
Interest	5,826
Other Non-Operating Revenues	10,863
Total Non-Operating Revenues	<u>405,961</u>
 Change in Net Assets	 (25,045)
 Net Assets Beginning of Year	 <u>455,426</u>
Net Assets End of Year	<u><u>\$430,381</u></u>

See accompanying notes to the basic financial statements

**Foxtire High School**  
*Statement of Cash Flows*  
For the Fiscal Year Ended June 30, 2012

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Foundation	\$1,999,377
Cash Received from Extracurricular Activities	3,142
Cash Payments for Employee	
Cash Received from Charges for Services	31,544
Cash Payments for Employee Services and Benefits	(1,324,398)
Cash Payments to Suppliers for Goods and Services	(1,094,496)
Other Operating Expenses	(3,788)
Other Non-Operating Revenues	9,171
	(379,448)
<u>Cash Flows from Noncapital Financing Activities:</u>	
State and Federal Grants Received	442,313
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(10,050)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	5,826
	58,641
Net Increase in Cash and Cash Equivalents	58,641
Cash and Cash Equivalents Beginning of Year	580,718
	\$639,359
Reconciliation of Operating Loss to	
<u>Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$431,006)
Adjustments to Reconcile Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Depreciation	5,647
Non-Operating Income	9,171
Changes in Assets and Liabilities:	
Decrease in Inventory Held for Resale	1,261
Increase in Materials and Supplies Inventory	(2)
Decrease in Accounts Payable	(10,355)
Increase in Accrued Wages and Benefits Payable	51,768
Increase in Vacation Benefits Payable	1,091
Decrease in Due to Primary Government	(36,555)
Increase in Intergovernmental Payable	32,893
Decrease in Deferred Revenue	(8,920)
Increase in Compensated Absences Payable	5,559
	(\$379,448)
Net Cash Used for Operating Activities	(\$379,448)

See accompanying notes to the basic financial statements

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**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 1 - Description of the School**

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

The School operates under the direction of a five-member Board of Directors comprised of five community members recommended by the Executive Director after consulting with the Sponsor's Superintendent. All governing authority members are required to live and/or work in the Zanesville-Muskingum County community and are to represent the interest of the Muskingum County community. The Board of Directors approves the School's staff of eight noncertified and ten certificated full time teaching personnel who provide services to 278 students. The School is a component unit of the Sponsor. The Sponsor is able to impose its will on the School and due to their relationship with the Sponsor it would be misleading to exclude them. The Sponsor can suspend the School's operations for any of the following reasons: 1) The School's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The School's failure to meet generally accepted standards of fiscal management, 3) The 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 School and the students it serves. The School uses the facilities provided by the Sponsor. In the beginning of the School, the employees were considered employees of the Sponsor. Beginning January 1, 2011, the employees became employees of the School.

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

The School'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.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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The 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 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**

The enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the School 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 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 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 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

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

**E. Cash and Cash Equivalents**

Cash received by the School 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 2012, the School had no investments.

**F. Inventory**

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



**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**G. Capital Assets**

The School's capital assets during fiscal year 2012 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 School maintains a capitalization threshold of one thousand dollars. All of the School's reported capital assets are depreciated using the straight-line method over the useful life ranging from 10 to 15 years.

**H. 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 enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net assets reports no restricted net assets and has no monies restricted by enabling legislation.

Net assets restricted for other purposes include federal grants restricted to expenditures for specified purposes.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. Operating Revenues and Expenses**

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

**J. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**K. Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**L. 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 School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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 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 School's termination policy. The School records a liability for accumulated unused sick leave for classified and certified employees after ten years of current service with the School.

**Note 3 - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2012, the bank balance of the School's deposits was \$651,299. \$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", \$401,299 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**Note 4 - Capital Asset Note**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Equipment	\$53,307	\$10,050	\$0	\$63,357
Less Accumulated Depreciation	(7,297)	(5,647)	0	(12,944)
Capital Assets, Net	\$46,010	\$4,403	\$0	\$50,413

**Note 5 - Intergovernmental Receivable**

Receivables at June 30, 2012, 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
<b>Governmental Activities</b>	
Food Service	\$12,989
Title VI-B	11,541
Title I	20,551
E-Rate	723
Total	\$45,804

**Note 6 - Risk Management**

The School is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the fiscal year ended June 30, 2012, the School maintains liability insurance through the Maysville Local School District's policy. Employees are fully insured for health coverage through Medical Mutual and through The Guardian Life Insurance Company of America for dental and vision benefits.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 7 - Purchased Services**

For the period July 1, 2011 through June 30, 2012, purchased service expenses were for the following services:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$339,237
Audit Services	7,333
Rental Services	<u>445,024</u>
Total	<u><u>\$791,594</u></u>

**Note 8 - Related Party Transactions**

The Board of Directors of the School consists of five community members recommended by the Executive Director of the School after consulting with Maysville Local School District's (the Sponsor's) Superintendent. The School is presented as a component unit of the Sponsor. During fiscal year 2012, \$551,441 was provided by the Sponsor for rent, utilities, and other support services provided to the School. The School is located in a portion of facilities previously utilized by the Sponsor. As of June 30, 2012, all of this amount was paid to the Sponsor except for \$2,080. This amount is reflected as a Due to Primary Government in the financial statements.

**Note 9 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan, for employees beginning January 1, 2011. 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 visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 12.7 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012 and 2011 was \$42,433 and \$15,645, respectively; 93 percent has been contributed for fiscal year 2012, with the balance being reported in intergovernmental payable. The full amount has been contributed for fiscal year 2011.

**B. State Teachers Retirement System**

Plan Description – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan beginning January 1, 2011.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://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. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012 and 2011 were \$117,613 and \$34,403, respectively. For fiscal year 2012, 75 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011. No contributions were made to the DC and Combined Plans for fiscal year 2012.

**Note 10 - Post Employment Benefits**

**A. School Employees Retirement System**

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800.

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.

The School's contributions for health care for the fiscal years ended June 30, 2012 and 2011, were \$6,178 and \$2,601, respectively. For fiscal year 2012, 26 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012 and 2011 were \$2,497 and \$1,007, respectively. For fiscal year 2012, 93 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011.

## **B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2012 and 2011, were \$9,047 and \$2,647, respectively. For fiscal year 2012, 75 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011.

## **Note 11 - Contingencies**

### **A. Grants**

The 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

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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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 School at June 30, 2012.

**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 School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. During fiscal year 2012, the School repaid \$21,582 to the Ohio Department of Education for overpayments received during fiscal year 2011. The Ohio Department of Education funding review of fiscal year 2012 resulted in an overpayment to the School in the amount of \$12,662 which is reported as deferred revenue as of June 30, 2012.

**Note 12 – Long-Term Obligations**

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

	Outstanding 6/30/2011	Additions	Deletions	Outstanding 6/30/2012	Due Within One Year
Compensated Absences	\$18,293	\$5,559	\$0	\$23,852	\$0



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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  
P.O. Box 1818  
Zanesville, Ohio 43702

To the Board of Directors:

We have audited the financial statements of the Foxfire High School, Muskingum County, Ohio (the School), a component unit of the Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 6, 2012. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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, providing an opinion 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*.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, the School's sponsor, and others within the School. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

December 6, 2012





# Dave Yost • Auditor of State

**FOXFIRE HIGH SCHOOL**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 20, 2012**