



Dave Yost • Auditor of State

**FOXFIRE INTERMEDIATE SCHOOL
MUSKINGUM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Foxfire Intermediate 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 Intermediate 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 Intermediate 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".

Dave Yost
Auditor of State

December 6, 2012

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

The discussion and analysis of the Foxfire Intermediate 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.

Intermediate Highlights

The School opened for its first year of operation in fiscal year 2011 for intermediate school age students who are at risk of dropping out of school, home schooled students, students who have experienced lack of success in traditional elementary and middle school settings, and nontraditional students of middle school age. During fiscal year 2012, the School provided services to 80 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	\$163,931	\$113,114	\$50,817
Depreciable Capital Assets, Net	130,080	74,434	55,646
Total Assets	<u>294,011</u>	<u>187,548</u>	<u>106,463</u>
<u>Liabilities:</u>			
Current and Other Liabilities	116,989	83,776	33,213
Long-Term Liabilities	4,728	4,248	480
Total Liabilities	<u>121,717</u>	<u>88,024</u>	<u>33,693</u>
<u>Net Assets:</u>			
Invested in Capital Assets	130,080	74,434	55,646
Unrestricted	42,214	25,090	17,124
Total Net Assets	<u>\$172,294</u>	<u>\$99,524</u>	<u>\$72,770</u>

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

Total assets increased \$106,463 during fiscal year 2012. This increase is directly attributable to an increase in cash and cash equivalents in the amount of \$100,053 and an increase in capital assets in the amount of \$55,646 which were offset by a decrease in intergovernmental receivables in the amount of \$49,236. 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 Public Charter Schools Program grant for fiscal year 2012. The Public Charter Schools Program grant is awarded to assist with the startup costs for new community schools. Fiscal year 2012 was the second year of operation for the School; therefore, the amount of grant monies awarded for fiscal year end 2012 decreased from fiscal year 2011. Capital assets increased as a result of purchasing new equipment.

Total liabilities increased \$33,693 during fiscal year 2012. Long-term liabilities increased in the amount of \$480 due to an increase in compensated absences. The \$33,213 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	\$648,777	\$361,423	\$287,354
Extracurricular Activities	700	0	700
Charges for Services	0	412	(412)
Total Operating Revenues	<u>649,477</u>	<u>361,835</u>	<u>287,642</u>
<u>Non-Operating Revenues:</u>			
State and Federal Grants	264,715	332,430	(67,715)
Interest	314	369	(55)
Other Non-Operating Revenue	44	0	44
Total Non-Operating Revenues	<u>265,073</u>	<u>332,799</u>	<u>(67,726)</u>
Total Revenues	<u>914,550</u>	<u>694,634</u>	<u>219,916</u>
<u>Operating Expenses:</u>			
Salaries	436,880	215,053	221,827
Fringe Benefits	118,640	58,052	60,588
Purchased Services	200,453	236,587	(36,134)
Materials and Supplies	72,484	77,910	(5,426)
Depreciation	13,298	4,176	9,122
Other Operating Expenses	25	3,332	(3,307)
Total Operating Expenses	<u>841,780</u>	<u>595,110</u>	<u>246,670</u>
Total Increase in Net Assets	<u>\$72,770</u>	<u>\$99,524</u>	<u>(\$26,754)</u>

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

During fiscal year 2012, operating revenues increased in the amount of \$287,642. This increase is primarily due to an increase in foundation revenue in the amount of \$287,354. Foundation revenue increased due to an increase in student enrollment from fiscal year 2011 to fiscal year 2012. Non-operating revenues decreased in the amount of \$67,726, due primarily to a decrease in State and federal grants. During fiscal year 2011, the School received \$31,836 in Education Stabilization, \$3,000 in Education Management Information System, and \$22,868 in Education Jobs monies. Education Stabilization and Education Management Information System funding sources were eliminated for fiscal year 2012 and the Education Jobs funding was decreased to \$614 for fiscal year 2012. The Public Charter Schools Program funding decreased by \$30,000 during fiscal year 2012 due to this funding being to assist in startup costs for community schools and this being the second year of operations for the School.

During fiscal year 2012, operating expenses increased \$246,670. 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 School had personnel employed which resulted in a decrease in purchased services in the amount of \$36,134, an increase in salaries in the amount of \$221,827, and an increase in fringe benefits in the amount of \$60,588.

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 \$130,080 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 designed for potential high school dropouts, home schooled students, students who have experienced lack of success in traditional elementary and middle school settings, and non-traditional students of middle school age and beyond. The program provides an open, non-discriminative environment where students are encouraged to work at their own pace while staff helps students overcome barriers that have hindered past academic achievements. This School will offer and operate a Student Support Team comprised of members from many local agencies that can offer assistance and programming to the students and their families. Students participate in a component designed as community service that will average approximately five hours a week. The School is especially appealing to students by offering small class sizes, personal development, teaching Core Values, extensive wrap-around services and educational adaptability.

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

The School is based upon the Stephen Covey's Seven Habits of Highly Effective People. Students are expected to be introduced and given essential skills and areas of knowledge. The curriculum will be relevant and modeled from the sponsoring schools. Teaching and learning is personalized with students and their families. Teachers are coaches and teach students the capacity to learn so they ultimately teach themselves. Our wrap-around services will provide a foundation to the growth of each student.

Contacting the Foxfire Intermediate 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 Intermediate School, PO Box 1818, Zanesville, Ohio 43702. You may also E-mail the treasurer at lsidwell@laca.org.

Foxfire Intermediate School

Statement of Net Assets

June 30, 2012

Assets:

Current Assets:

Cash and Cash Equivalents	\$126,349
Intergovernmental Receivable	37,582
Total Current Assets	<u>163,931</u>

Noncurrent Assets:

Depreciable Capital Assets, Net	130,080
Total Assets	<u>294,011</u>

Liabilities:

Current Liabilities:

Accounts Payable	12,770
Accrued Wages and Benefits Payable	75,782
Intergovernmental Payable	27,126
Vacation Benefit Payable	1,280
Deferred Revenue	31
Total Current Liabilities	<u>116,989</u>

Long-Term Liabilities:

Due In More Than One Year	4,728
Total Liabilities	<u>121,717</u>

Net Assets:

Invested in Capital Assets	130,080
Unrestricted	42,214
Total Net Assets	<u>\$172,294</u>

See accompanying notes to the basic financial statements

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

<u>Operating Revenues:</u>	
Foundation	\$648,777
Extracurricular Activities	700
Total Operating Revenues	<u>649,477</u>
 <u>Operating Expenses:</u>	
Salaries	436,880
Fringe Benefits	118,640
Purchased Services	200,453
Materials and Supplies	72,484
Depreciation	13,298
Other Operating Expenses	25
Total Operating Expenses	<u>841,780</u>
 Operating Loss	 <u>(192,303)</u>
 <u>Non-Operating Revenues:</u>	
State and Federal Grants	264,715
Interest	314
Other Non-Operating Revenues	44
Total Non-Operating Revenues	<u>265,073</u>
 Change in Net Assets	 72,770
 Net Assets Beginning of Year	 <u>99,524</u>
Net Assets End of Year	<u>\$172,294</u>

See accompanying notes to the basic financial statements

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

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$636,876
Cash Received from Extracurricular Activities	700
Cash Payments for Employee Services and Benefits	(514,093)
Cash Payments to Suppliers for Goods and Services	(268,770)
Other Operating Expenses	(25)
Other Non-Operating Revenues	44
	(145,268)

Cash Flows from Noncapital Financing Activities:

State and Federal Grants Received	313,951
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Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(68,944)
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Cash Flows from Investing Activities:

Interest on Investments	314
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Net Increase in Cash and Cash Equivalents	100,053
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Cash and Cash Equivalents Beginning of Year	26,296
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Cash and Cash Equivalents End of Year	\$126,349
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Reconciliation of Operating Loss to

Net Cash Used for Operating Activities:

Operating Loss	(\$192,303)
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Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	13,298
Non-Operating Revenues	44

Changes in Assets and Liabilities:

Increase in Accounts Payable	10,118
Increase in Accrued Wages and Benefits Payable	18,236
Increase in Vacation Benefits Payable	896
Increase in Intergovernmental Payable	15,864
Decrease in Deferred Revenue	(11,901)
Increase in Compensated Absences Payable	480
	(145,268)

Net Cash Used for Operating Activities	(\$145,268)
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See accompanying notes to the basic financial statements

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

Note 1 - Description of the School

The Foxfire Intermediate 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 maximize all students' potential by the teaching of high academic standards and overall student wellness to increase capabilities by bridging gaps in the best interests of each individual student. The School is designed to serve potential high school dropouts, home schooled students, students who have experienced lack of success in traditional elementary and middle school settings, and non-traditional students of middle school age and beyond.

The School was established on May 15, 2010 and began its first year of operations in fiscal year 2011. The School entered into a two year 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 role of 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 four noncertified and five certificated full time teaching personnel who provide services to 80 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 initial months of operation of the School, the employees were considered employees of the Sponsor. Beginning January 1, 2011, the employees became employees of 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.

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

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.

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 the 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.

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

F. Capital Assets

The School's capital assets during fiscal year 2012 consisted of computer equipment, video equipment, office equipment, and signs. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of five hundred dollars. All of the School's reported capital assets are depreciated using the straight-line method over the useful lives ranging from five to 15 years.

G. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The 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 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 currently has one employee that it anticipates as being probable to retire.

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.

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

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.

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 \$130,415. All of the bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the 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, 2011
Equipment	\$78,610	\$68,944	\$0	\$147,554
Less Accumulated Depreciation	(4,176)	(13,298)	0	(17,474)
Capital Assets, Net	\$74,434	\$55,646	\$0	\$130,080

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
Governmental Activities	
Title I	\$9,384
Public Charter Schools Program	28,198
Total	\$37,582

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 of Ohio and through The Guardian Life Insurance Company of America for dental and vision benefits.

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

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	\$64,710
Audit Services	7,015
Rent	<u>128,728</u>
Total	<u><u>\$200,453</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 the Sponsor’s Superintendent. The School is presented as a component unit of the Sponsor.

During fiscal year 2012, the School paid the Sponsor \$140,573 for rent, utilities, and other support services provided to the School. As of June 30, 2012, there was no money owed from School to the Sponsor. The School is located in a portion of facilities previously utilized by the Sponsor.

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 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 \$18,258 and \$5,774, respectively; 72 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.

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

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. 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.

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 \$51,985 and \$19,129, respectively. For fiscal year 2012, 69 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

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 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 \$2,379 and \$1,604, respectively. For fiscal year 2012, 23 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 \$1,077 and \$372, respectively. For fiscal year 2012, 72 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 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 \$3,999 and \$1,471, respectively. For fiscal year 2012, 69 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2011.

Foxfire Intermediate School
Notes to the Basic Financial Statements
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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 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. The Ohio Department of Education funding review of fiscal year 2011 resulted in an overpayment to the School in the amount of \$11,932 which is repaid during fiscal year 2012. The Ohio Department of Education funding review of fiscal year 2012 resulted in an overpayment to the School in the amount of \$31 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	\$4,248	\$480	\$0	\$4,728	\$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 Intermediate 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 Intermediate 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'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 INTERMEDIATE SCHOOL

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2012**