



Dave Yost • Auditor of State



**FOXFIRE HIGH SCHOOL  
MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Foxfire High School  
Muskingum County  
2805 Pinkerton Road  
Zanesville, Ohio 43701

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Foxfire High School, Muskingum County, Ohio (the School), a component unit of Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foxfire High School, Muskingum County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 22, 2013

**Foxfire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*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, 2013. 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 2013, the School provided services to 236 full-time students.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements.

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the School did financially during fiscal year 2013. 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 position and changes in position. This change in net position 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 position for 2013 compared to 2012:

Table 1 - Net Position

	2013	2012	Change
<u>Assets:</u>			
Current and Other Assets	\$281,811	\$688,250	(\$406,439)
Depreciable Capital Assets, Net	98,825	50,413	48,412
Total Assets	380,636	738,663	(358,027)
<u>Liabilities:</u>			
Current and Other Liabilities	301,685	284,430	17,255
Long-Term Liabilities	29,304	23,852	5,452
Total Liabilities	330,989	308,282	22,707
<u>Net Position:</u>			
Net Investment in Capital Assets	98,825	50,413	48,412
Unrestricted	(49,178)	379,968	(429,146)
Total Net Position	\$49,647	\$430,381	(\$380,734)

**Foxfire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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Total assets decreased \$358,027 during fiscal year 2013. This decrease is directly attributable to a decrease in cash and cash equivalents in the amount of \$390,956 and a decrease in intergovernmental receivables in the amount of \$15,316 which were offset by an increase in the amount of \$48,412 in capital assets. The decrease in cash and cash equivalents is due to a decrease in average student enrollment, which decreased by 42 students. Due to the decrease in student enrollment, funding through the State foundation program decreased in the amount of \$301,451. Intergovernmental receivables decreased during fiscal year 2013 due primarily to a decrease in receivables related to the Title I and Title VI-B grants and E-Rate funding for fiscal year 2013. Capital assets increased as a result of purchasing new equipment.

Total liabilities increased \$22,707 during fiscal year 2013. Long-term liabilities increased in the amount of \$5,452 due to an increase in compensated absences. The increase in current and other liabilities is due to an increase in accounts payable and an increase in intergovernmental payables. The increase in accounts payable is due mainly to a large payable owed to Compass Learning, Inc. in the amount of \$31,535 for purchased services. The increase in intergovernmental payables is due to an increase in the amount owed to the School Employees Retirement System at fiscal year-end.

**Foxtire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

Table 2 reflects the changes in net position for fiscal year ended June 30, 2013 and comparisons to fiscal year 2012.

Table 2 - Change in Net Position

	2013	2012	Change
<u>Operating Revenues:</u>			
Foundation	\$1,706,846	\$2,008,297	(\$301,451)
Extracurricular Activities	0	3,142	(3,142)
Casino	4,439	0	4,439
Charges for Services	31,405	31,544	(139)
Total Operating Revenues	<u>1,742,690</u>	<u>2,042,983</u>	<u>(300,293)</u>
<u>Non-Operating Revenues:</u>			
State and Federal Grants	382,727	389,272	(6,545)
Interest	2,479	5,826	(3,347)
Other Non-Operating Revenue	16,014	10,863	5,151
Total Non-Operating Revenues	<u>401,220</u>	<u>405,961</u>	<u>(4,741)</u>
Total Revenues	<u>2,143,910</u>	<u>2,448,944</u>	<u>(305,034)</u>
<u>Operating Expenses:</u>			
Salaries	1,265,238	1,208,457	56,781
Fringe Benefits	386,943	330,504	56,439
Purchased Services	792,503	791,594	909
Materials and Supplies	76,458	133,999	(57,541)
Depreciation	9,082	5,647	3,435
Other Operating Expenses	9,953	3,788	6,165
Total Operating Expenses	<u>2,540,177</u>	<u>2,473,989</u>	<u>66,188</u>
Operating Loss Before Contributions	(396,267)	(25,045)	(371,222)
Capital Contributions from Sponsor School District	15,533	0	15,533
Change in Net Position	(380,734)	(25,045)	(355,689)
Net Position Beginning of Year	<u>430,381</u>	<u>455,426</u>	<u>(25,045)</u>
Net Position End of Year	<u>\$49,647</u>	<u>\$430,381</u>	<u>(\$380,734)</u>

During fiscal year 2013, operating revenues decreased in the amount of \$300,293. This decrease is primarily due to foundation revenue decreasing in the amount of \$301,451 due to decreases in student enrollment from fiscal year 2012 to fiscal year 2013. During fiscal year 2013, casino revenues became a new funding source due to the opening of three casinos within the State. The casino distributions have no restrictions as to how the monies are to be spent. Non-operating revenues decreased in the amount of \$4,741. State and federal grants decreased due to the completion of the Education Jobs grant in fiscal year 2012. The decrease in interest revenue is the direct result of the large decrease in cash and cash equivalents.

During fiscal year 2013, operating expenses increased \$66,188. The increase in operating expenses is primarily due to increases in salaries and fringe benefits. Materials and supplies purchases decreased in the amount of \$57,541 during fiscal 2013 due to large purchases in the prior fiscal year.

**Foxfire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**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 2013, the School had \$98,825 in capital assets. See Note 4 for additional information regarding capital assets.

**Debt**

The School did not incur any debt during fiscal year 2013.

**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, 2805 Pinkerton Road, Zanesville, Ohio 43701. You may also E-mail the treasurer at [lsidwell@laca.org](mailto:lsidwell@laca.org).

**Foxfire High School**  
*Statement of Net Position*  
*June 30, 2013*

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Assets:

Current Assets:

Cash and Cash Equivalents	\$248,403
Intergovernmental Receivable	30,488
Inventory Held for Resale	2,355
Materials and Supplies Inventory	565
Total Current Assets	<u>281,811</u>

Noncurrent Assets:

Depreciable Capital Assets, Net	98,825
Total Assets	<u>380,636</u>

Liabilities:

Current Liabilities:

Accounts Payable	38,540
Accrued Wages and Benefits Payable	190,794
Intergovernmental Payable	62,089
Vacation Benefit Payable	9,958
Due to Sponsor School District	304
Total Current Liabilities	<u>301,685</u>

Long-Term Liabilities:

Due In More Than One Year	29,304
Total Liabilities	<u>330,989</u>

Net Position:

Net Investment in Capital Assets	98,825
Unrestricted	(49,178)
Total Net Position	<u>\$49,647</u>

See accompanying notes to the basic financial statements

**Foxfire High School**  
*Statement of Revenues, Expenses, and Changes in Net Position*  
*For the Fiscal Year Ended June 30, 2013*

<u>Operating Revenues:</u>	
Foundation	\$1,706,846
Casino	4,439
Charges for Services	31,405
Total Operating Revenues	<u>1,742,690</u>
<u>Operating Expenses:</u>	
Salaries	1,265,238
Fringe Benefits	386,943
Purchased Services	792,503
Materials and Supplies	76,458
Depreciation	9,082
Other Operating Expenses	9,953
Total Operating Expenses	<u>2,540,177</u>
Operating Loss	<u>(797,487)</u>
<u>Non-Operating Revenues:</u>	
State and Federal Grants	382,727
Interest	2,479
Other Non-Operating Revenues	16,014
Total Non-Operating Revenues	<u>401,220</u>
Operating Loss Before Contributions	(396,267)
Capital Contributions from Sponsor School District	<u>15,533</u>
Change in Net Position	(380,734)
Net Position Beginning of Year	430,381
Net Position End of Year	<u><u>\$49,647</u></u>

See accompanying notes to the basic financial statements

**Foxfire High School**  
*Statement of Cash Flows*  
*For the Fiscal Year Ended June 30, 2013*

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Foundation	\$1,694,184
Cash Received from Casino Revenues	4,439
Cash Received from Charges for Services	31,405
Cash Payments for Employee Services and Benefits	(1,632,205)
Cash Payments to Suppliers for Goods and Services	(865,182)
Other Operating Expenses	(6,675)
Other Non-Operating Revenues	<u>17,706</u>
Net Cash Used for Operating Activities	(756,328)
<u>Cash Flows from Noncapital Financing Activities:</u>	
State and Federal Grants Received	404,854
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(41,961)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>2,479</u>
Net Decrease in Cash and Cash Equivalents	(390,956)
Cash and Cash Equivalents Beginning of Year	<u>639,359</u>
Cash and Cash Equivalents End of Year	<u><u>\$248,403</u></u>
Reconciliation of Operating Loss to	
<u>Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$797,487)
Adjustments to Reconcile Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Depreciation	9,082
Non-Operating Revenues	17,706
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(6,811)
Increase in Inventory Held for Resale	(1,355)
Increase in Materials and Supplies Inventory	(170)
Increase in Accounts Payable	14,233
Increase in Accrued Wages and Benefits Payable	2,620
Decrease in Vacation Benefits Payable	(314)
Decrease in Due to Primary Government	(1,776)
Increase in Intergovernmental Payable	15,154
Decrease in Unearned Revenue	(12,662)
Increase in Compensated Absences Payable	<u>5,452</u>
Net Cash Used for Operating Activities	<u><u>(\$756,328)</u></u>

**Noncash Capital Financing Activities:**

During fiscal year 2013, capital contributions in the amount of \$15,533 were received from the Maysville Local School District, the Sponsor.

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, 2013*

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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 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 236 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 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 position; a statement of revenues, expenses, and changes in net position; 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.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Enterprise fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

**B. Measurement Focus**

The enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the School are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the 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 position. Investments with original maturities of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2013, the School had no investments. The interest earnings received by the School were from an interest bearing checking account.

**F. Inventory**

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

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**G. Capital Assets**

The School's capital assets during fiscal year 2013 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 lives ranging from 10 to 20 years.

**H. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that 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 two employees that it anticipates as being probable to retire.

**I. Net Position**

Net position represents the difference between assets and liabilities. Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

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

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

**J. Operating Revenues and Expenses**

The 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 High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**K. Estimates**

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

**Note 3 – Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the School’s deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2013, the bank balance of the School’s deposits was \$267,766. \$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”, \$17,766 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, 2013, was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Equipment	\$63,357	\$57,494	\$0	\$120,851
Less Accumulated Depreciation	(12,944)	(9,082)	0	(22,026)
Capital Assets, Net	\$50,413	\$48,412	\$0	\$98,825

The Sponsor contributed \$15,533 to the School in the form of bleachers for the gymnasium.

**Note 5 – Intergovernmental Receivable**

Receivables at June 30, 2013, 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:

<b>Governmental Activities</b>	<b>Amounts</b>
Food Service	\$855
Title VI-B	4,975
Title I	17,847
E-Rate	6,811
Total	\$30,488

**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, 2013, 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, 2013*

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**Note 7 – Purchased Services**

For the period July 1, 2012 through June 30, 2013, purchased service expenses were for the following services:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$500,390
Audit Services	7,848
Rental Services	<u>284,265</u>
Total	<u><u>\$792,503</u></u>

**Note 8 – Related Party Transactions**

The Board of Directors of 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 2013, \$358,387 was paid to 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, 2013, all expenses were paid to the Sponsor except for \$304 which is reflected as a Due to Sponsor School District 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 the School 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 2013, 13.1 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, 2013, 2012, and 2011 was \$61,693, \$42,433, and \$15,645, respectively; 73 percent has been contributed for fiscal year 2013, with the balance being reported in intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**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](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, 2013, 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, 2013, 2012, and 2011 were \$105,396, \$117,613, and \$34,403, respectively. Contributions to the DC Plan for fiscal year 2013 were \$1,036 for the employer and \$740 for the employees. There were no contributions to the Combined Plan. For fiscal year 2013, 78 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**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 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 2013, 0.16 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 2013, this amount was \$20,525.

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, 2013, 2012, and 2011, were \$8,577, \$6,178, and \$2,601, respectively. For fiscal year 2013, 5 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, 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, 2013, 2012, and 2011 were \$3,527, \$2,497, and \$1,007, respectively. For fiscal year 2013, 73 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 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.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
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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 2013, 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, 2013, 2012, and 2011, were \$8,164, \$9,047, and \$2,647, respectively. For fiscal year 2013, 78 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 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 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, 2013.

**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 2013, the School repaid \$12,662 to the Ohio Department of Education for overpayments received during fiscal year 2012. The Ohio Department of Education funding review of fiscal year 2013 was not available at this time.

**Note 12 – Long-Term Obligations**

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

	Outstanding 6/30/2012	Additions	Deletions	Outstanding 6/30/2013	Due Within One Year
Compensated Absences	\$23,852	\$5,452	\$0	\$29,304	\$0

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 13 – Change in Accounting Principles**

For fiscal year 2013, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities,” and Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”.

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows or resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School’s financial statements.

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# Dave Yost • Auditor of State

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

Foxfire High School  
Muskingum County  
2805 Pinkerton Road  
Zanesville, Ohio 43701

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Foxfire High School, Muskingum County, Ohio (the School), a component unit of Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2013.

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

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 22, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Foxfire High School  
Muskingum County  
2805 Pinkerton Road  
Zanesville, Ohio 43701

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Foxfire High School (the School), a component unit of Maysville Local School District (the Sponsor), has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on June 13, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and the School's Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 22, 2013

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# 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  
NOVEMBER 7, 2013**