



Mary Taylor, CPA  
Auditor of State



**FOXFIRE HIGH SCHOOL  
MUSKINGUM COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Foxfire High School  
Muskingum County  
2805 Pinkerton Road  
P.O. Box 1818  
Zanesville, Ohio 43702

To the Board of Directors:

We have audited the accompanying basic financial statements of the Foxfire High School, Muskingum County, Ohio (the School), a component unit of the Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foxfire High School, Muskingum County, Ohio, as of June 30, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2008, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplemental information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 7, 2008

**Foxfire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

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The discussion and analysis of the Foxfire High School's (the School) financial performance provides an overall review of the Foxfire High School's financial activities for the fiscal year ended June 30, 2007. 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 2007, the School provided services to 103 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 2007. 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 2007 compared to 2006:

Table 1 Net Assets			
	2007	2006	Change
<u>Assets:</u>			
Current and Other Assets	\$345,432	\$434,450	(\$89,018)
<u>Liabilities:</u>			
Current and Other Liabilities	146,979	82,810	64,169
<u>Net Assets:</u>			
Unrestricted	198,453	351,640	(153,187)
Total Net Assets	\$198,453	\$351,640	(\$153,187)

**Foxfire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

Total assets decreased \$89,018 which is primarily due to a decrease in cash and cash equivalents in the amount of \$61,932. The decrease in cash and cash equivalents is due to an increase in operating expenses that far exceeded the total revenues during fiscal year 2007. Intergovernmental receivables decreased \$25,556 due to the School receiving most of their grant monies during fiscal year 2007. Accrued wages increased \$29,601 due to an increase in the number of employees as well as a two and one-half base increase combined with a two to four percent step increase. In addition, intergovernmental payables increased \$31,128 as a result of services provided by the Muskingum Valley Educational Service Center.

Table 2 reflects the changes in net assets for fiscal year ended June 30, 2007 and comparisons to fiscal year 2006.

Table 2  
Change in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Change</u>
<u>Operating Revenues:</u>			
Foundation	\$665,005	\$622,016	\$42,989
Tuition and Fees	620	6,125	(5,505)
Total Operating Revenues	<u>665,625</u>	<u>628,141</u>	<u>37,484</u>
<u>Non-Operating Revenues:</u>			
Operating Grants	269,670	278,648	(8,978)
Interest Revenue	15,967	7,763	8,204
Other Non-Operating Revenue	715	2,642	(1,927)
Total Other Non-Operating Revenues	<u>286,352</u>	<u>289,053</u>	<u>(2,701)</u>
Total Revenues	<u>951,977</u>	<u>917,194</u>	<u>34,783</u>
<u>Operating Expenses:</u>			
Salaries	397,566	293,830	103,736
Fringe Benefits	141,029	93,696	47,333
Purchased Services	418,328	275,289	143,039
Materials and Supplies	148,241	164,317	(16,076)
Total Operating Expenses	<u>1,105,164</u>	<u>827,132</u>	<u>278,032</u>
Total Increase/(Decrease) in Net Assets	<u>(\$153,187)</u>	<u>\$90,062</u>	<u>(\$243,249)</u>

During fiscal year 2007, revenues increased \$34,784. These increases are primarily due to an increase in foundation and interest revenue in the amount of \$51,193. The increase in foundation revenue was a result of an increase in enrollment combined with an increase in the students that met the special education criteria. However, these increases were offset by a decrease of \$8,978 in non-operating grant revenue primarily due to a decrease in intergovernmental receivables in the amount of \$25,556.



**Foxtire High School**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

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During fiscal year 2007, operating expenses increased \$278,032. The increase in salaries and fringe benefits is due to the School hiring two additional certified and one classified employee. This increase is also due to the staff receiving a two and a half percent increase in their base salaries along with a step increase of two to four percent. The School had increases in purchased services of \$143,039 due mainly to the following reasons: an increase of \$42,085 in outside contracts for psychologist and special education services, an increase of \$31,307 in purchased services in coordination with the Public Charter School Program – Dissemination Grant, an increase of \$7,744 in transportation services, and an increase of \$53,405 in rental payments to Maysville Local School District. The increase in rental payments to Maysville Local School District is due to an increase in enrollment and rental payments are based on a per student fee. This was the first year that School had received the Public Charter School Program – Dissemination Grant. The School also contracted with outside agencies for counseling and intervention services through their TANF program.

**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 2007, the School did not have any capital assets.

Debt

The School did not incur any debt during fiscal year 2007.

**Current Design**

The School is different than a traditional high school in that the School is designed to be an open, non-discriminatory atmosphere 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 the barriers and provide supportive services to help those students overcome their problems so they can achieve success in school.

**Contacting the Foxtire 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, Foxtire High School, PO Box 1818, Zanesville, Ohio 43702. You may also E-mail the treasurer at [lsidwell@laca.org](mailto:lsidwell@laca.org).

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**Foxfire High School**  
*Statement of Net Assets*  
*June 30, 2007*

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<u>Assets:</u>	
Current Assets:	
Cash and Cash Equivalents	\$310,088
Accounts Receivable	20
Intergovernmental Receivable	35,324
Total Assets	<u>345,432</u>
 <u>Liabilities:</u>	
Current Liabilities:	
Accounts Payable	3,534
Accrued Wages	81,924
Intergovernmental Payable	39,677
Deferred Revenue	2,982
Long-Term Liabilities:	
Due In More Than One Year	18,862
Total Liabilities	<u>146,979</u>
 <u>Net Assets:</u>	
Unrestricted	198,453
Total Net Assets	<u>\$198,453</u>

See accompanying notes to the basic financial statements

**Foxfire High School**  
*Statement of Revenues, Expenditures, and Changes in Net Assets*  
*For the Fiscal Year Ended June 30, 2007*

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Operating Revenues:

Foundation	\$665,005
Tuition and Fees	620
Total Operating Revenues	<u>665,625</u>

Operating Expenses:

Salaries	397,566
Fringe Benefits	141,029
Purchased Services	418,328
Materials and Supplies	148,241
Total Operating Expenses	<u>1,105,164</u>

Operating Loss (439,539)

Non-Operating Revenues and (Expenses):

Operating Grants	269,670
Interest	15,967
Other Non-Operating Revenues	715
Total Non-Operating Revenues and (Expenses)	<u>286,352</u>

Change in Net Assets (153,187)

Net Assets Beginning of Year	351,640
Net Assets End of Year	<u><u>\$198,453</u></u>

See accompanying notes to the basic financial statements

**Foxfire High School**  
*Statement of Cash Flows*  
*For the Fiscal Year Ended June 30, 2007*

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<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Foundation	\$667,987
Cash Received from Tuition and Fees	2,150
Cash Payments for Employee Services and Benefits	(500,429)
Cash Payments to Suppliers for Goods and Services	(543,548)
Other Non-Operating Revenues	715
	(373,125)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	295,226
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	15,967
	(61,932)
Net (Decrease) in Cash and Cash Equivalents	(61,932)
Cash and Cash Equivalents Beginning of Year	372,020
Cash and Cash Equivalents End of Year	\$310,088
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$439,539)
Other Non-Operating Revenues	715
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
<u>Changes in Assets and Liabilities:</u>	
Decrease in Accounts Receivable	1,530
Decrease in Due to Primary Government	(3,400)
Increase in Accounts Payable	2,887
Increase in Deferred Revenue	2,982
Increase in Accrued Wages	29,601
Increase in Intergovernmental Payable	31,128
Increase in Compensated Absences Payable	971
	(\$373,125)

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, 2007*

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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 four 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 School with the Treasurer of the Sponsor completing the role of Treasurer for School.

The School operates under the direction of a five-member Board of Directors made up of five community members recommended by the Executive Director after consulting with the Sponsor's superintendent. All governing authority members should live and/or work in the Zanesville-Muskingum County community as well as to represent the interest of the Muskingum County community. The Board of Directors approves the School's staff of six noncertified and seven certificated full time teaching personnel who provide services to 103 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 used the facilities of the Sponsor.

**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 High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**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**

**Fund Financial Statements**

The enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the 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 5-year forecast, which is updated on an annual basis.



**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**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 2007, the School had no investments.

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through 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.

**G. 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.

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

Other operating revenues are those revenues that are generated directly from the primary activity of the 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.

**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 accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School's termination policy. The School records a liability for accumulated unused sick leave for classified and certified employees after ten years of service (including prior year service with the Sponsor). At June 30, 2007 the School had \$18,862 in an outstanding compensated absences liability.

**I. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**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**

Monies held by the School are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School treasury. Active monies must be maintained either as cash in the School's treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Directors has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the School can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$143,771 of the School's bank balance of \$343,771 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**Investments:** As of June 30, 2007, the Center had no investments.

**Note 4 – Intergovernmental Receivable**

Receivables at June 30, 2007, consisted of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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A summary of the principal items of intergovernmental receivables follows:

<b>Business-Type Activities</b>	<u>Amounts</u>
ABC Community Partnership Grant	\$19,096
Ohio Public Charter School Program - Dissemination Grant	14,167
School Community Partnership Grant - TANF	1,467
CORE Implementation Grant	<u>594</u>
Total	<u><u>\$35,324</u></u>

**Note 5 – Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School's 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$15,666, \$11,099 and \$7,936, respectively; 63 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006 and 2005.

**B. State Teachers Retirement System**

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. 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 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, 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 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by 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 the DB Plan for the fiscal years ended June 30, 2007, 2006 and 2005 were \$36,890, \$27,813 and \$26,319, respectively; 80 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. There were no contributions to the DC and Combined Plans for fiscal year 2007.

**Note 6 – Postemployment Benefits**

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

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School this amount equaled \$2,838 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established as \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School, the amount to fund health care benefits, including surcharge, during the 2007 fiscal year equaled \$6,810.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

## **Note 7 – Employee Benefits**

### **A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Unused vacation time at the end of a fiscal year is not accumulated or carried forward to the next fiscal year. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 245 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days.

### **B. Life Insurance**

The Sponsor provides the School life insurance and accidental death and dismemberment insurance to most employees through Unum Life Insurance in the amount of \$20,000 for all employees enrolled.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**C. Retirement Incentive**

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

During fiscal year 2007, the School did not make any retirement incentive payments and no retirement incentives were accrued as liabilities at fiscal year end.

**Note 8 – Risk Management**

The School is exposed to various risks of loss related to torts; error and omissions; and natural disasters. During fiscal year 2007, the School contracted with Utica National Insurance Group for liability insurance.

During fiscal year 2007, the School paid the Sponsor a monthly premium for workers' compensation coverage.

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

**Note 9 – Related Party Transactions**

The School is presented as a component unit of the Sponsor. The Sponsor provides payroll services to the School.

During fiscal year 2007, the School paid the Sponsor \$2,000 per full time equivalent student to cover administrative services and maintenance services provided by the Sponsor.

**Note 10 - 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, 2007.

**Foxfire High School**  
*Notes to the Basic Financial Statements*  
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**B. Litigation**

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

**C. 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 fiscal year 2007, review resulted in the discovery of an overpayment to the School in the amount of \$2,982. This amount has been reflected as deferred revenue and will be deducted from foundation funding in the fiscal year 2007.





# Mary Taylor, CPA

Auditor of State

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

Foxfire High School  
Muskingum County  
2805 Pinkerton Road  
P.O. Box 1818  
Zanesville, Ohio 43702

To the Board of Directors:

We have audited the basic financial statements of the Foxfire High School, Muskingum County, Ohio (the School), a component unit of the Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2007 and have issued our report thereon dated March 7, 2008. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 basic 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 the audit committee, management and the Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 7, 2008



**Mary Taylor, CPA**  
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  
APRIL 1, 2008**