FOXFIRE INTERMEDIATE SCHOOL
MUSKINGUM COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FOXFIRE INTERMEDIATE SCHOOL
MUSKINGUM COUNTY
JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Foxfire Intermediate 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 the Foxfire Intermediate School, Muskingum County, Ohio (the Intermediate School), a component unit of the Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Intermediate 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 Intermediate 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 Intermediate 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 the Foxfire Intermediate School, Muskingum County, Ohio, as of June 30, 2016, 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,* and Schedules of Net Pension Liabilities and Pension Contributions 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 February 2, 2017, on our consideration of the Intermediate 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 Intermediate School's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

February 2, 2017

The discussion and analysis of the Foxfire Intermediate School's (Intermediate School) financial performance provides an overall review of the Intermediate School's financial activities for the fiscal year ended June 30, 2016. Readers should also review the basic financial statements and notes to enhance their understanding of the Intermediate School's financial performance.

Intermediate School Highlights

The Intermediate School opened for its first year of operation in fiscal year 2011 for intermediate school age students who are at risk of dropping out of school, home schooled students, students who have experienced lack of success in traditional elementary and middle school settings, and nontraditional students of middle school age. When the Intermediate School was first established, the students served were middle school age. In fiscal year 2013, the Intermediate School began to serve students first through eighth grade. During fiscal year 2016, the Intermediate School provided services to 124 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 Foxfire Intermediate School did financially during fiscal year 2016. 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 Intermediate School's net position and changes in the net position. The change in net position is important because it tells the reader whether the financial position of the Intermediate 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 Intermediate School's activities are reported in a single enterprise fund.

Table 1 provides a summary of the Intermediate School's net position for 2016 compared to 2015:

Table 1 - Net Position

	2016	2015	Change
Assets:			
Current and Other Assets	$438,893	$153,608	$285,285
Depreciable Capital Assets, Net	93,009	91,656	1,353
Total Assets	531,902	245,264	286,638
Deferred Outflows of Resources:			
Pension	683,880	330,840	353,040
Liabilities:			
Current and Other Liabilities	151,120	205,144	(54,024)
Long-Term Liabilities:			
Net Pension Liability	1,991,236	1,374,057	617,179
Other Amounts Due in More than One Year	7,309	6,655	654
Total Liabilities	2,149,665	1,585,856	563,809
Deferred Inflows of Resources:			
Pension	131,263	249,155	(117,892)
Net Position:			
Net Investment in Capital Assets	93,009	91,656	1,353
Unrestricted (Deficit)	(1,158,155)	(1,350,563)	192,408
Total Net Position	($1,065,146)	($1,258,907)	$193,761

The net pension liability (NPL) is the largest single liability reported by the Intermediate School at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Intermediate School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability.* GASB 68 takes an earnings approach to pension accounting: however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the Intermediate School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Intermediate School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Intermediate School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets increased $286,638 during fiscal year 2016. This increase is directly attributable to an increase in cash and cash equivalents in the amount of $203,347, an increase in intergovernmental receivables in the amount of $81,938, and an increase in capital assets in the amount of $1,353. The increase in cash and cash equivalents is due to an increase in funding from State and federal grant programs as a result of a slight increase in student enrollment. Student enrollment increased by 4 students from fiscal year 2015 as compared to fiscal year 2016. State and federal grant revenues increased in the amount of $125,272 from fiscal year 2015 to fiscal year 2016 which was primary due to additional grant awards of $14,169 in the Title I program, $17,571 in the Title II-A program, and $85,000 in the Title I-A program. Capital assets increased as a result of current year purchases of equipment exceeding current year depreciation.

Total liabilities increased $563,809 during fiscal year 2016. Long-term liabilities increased in the amount of $617,833 due to an increase in the net pension liability in the amount of $617,179 and an increase in compensated absences payable in the amount of $654. The decrease in current and other liabilities in the amount of $54,024 is due mainly to a decrease in intergovernmental payables in the amount of $46,050 due to the Ohio Bureau of Workers' Compensation (BWC) changing from a retrospective billing system to a prospective billing system. During fiscal year 2016, BWC credited entities a fifty percent credit on calendar year 2015 and 2016 premiums and required entities to prepay their premiums beginning with calendar year 2016 as opposed to paying after the close of the calendar year. Accrued wages and benefits payable had a decrease in the amount of $4,052 due to the reduction of one certified staff member. Accounts payable reflects a decrease in the amount of $3,954.

The Intermediate School recognized unearned revenue of $4,858 in fiscal year 2015 due to an overpayment in State Foundation settlements from the Ohio Department of Education which did not reoccur in fiscal year 2016.

Table 2 reflects the changes in net position for fiscal year ended June 30, 2016 and comparisons to fiscal year 2015.

Table 2 - Change in Net Position

	2016	2015	Change
Operating Revenues:			
Foundation	$1,419,726	$1,254,397	$165,329
Extracurricular Activities	1,528	2,271	(743)
Total Operating Revenues	1,421,254	1,256,668	164,586
Non-Operating Revenues:			
State and Federal Grants	267,263	141,991	125,272
Interest	614	157	457
Other Non-Operating Revenue	32	3,866	(3,834)
Total Non-Operating Revenues	267,909	146,014	121,895
Total Revenues	1,689,163	1,402,682	286,481
Operating Expenses:			
Salaries	706,764	814,002	(107,238)
Fringe Benefits	327,487	243,586	83,901
Purchased Services	418,566	299,040	119,526
Materials and Supplies	8,787	3,365	5,422
Depreciation	31,620	27,194	4,426
Other Operating Expenses	2,178	14,503	(12,325)
Total Operating Expenses	1,495,402	1,401,690	93,712
Change in Net Position	193,761	992	192,769
Net Position Beginning of Year	(1,258,907)	(1,259,899)	992
Net Position End of Year	($1,065,146)	($1,258,907)	$193,761

During fiscal year 2016, operating revenues increased in the amount of $164,586. This increase is primarily due to an increase in foundation revenue in the amount of $165,329 as a result of four additional students being enrolled during fiscal year 2016 as compared to fiscal year 2015. The increase in non-operating revenue in the amount of $121,895 was the result of an increase in State and federal grants primarily due to an increase in Title I, Title VI-B, Title I-A, and Title II-A funding during fiscal year 2016.

During fiscal year 2016, salaries decreased in the amount of $107,238 due to the reduction of one certified staff position and due to the changing of staff members and job duties from fiscal year 2015 to fiscal year 2016. Fringe benefits showed an increase in the amount of $83,901 due mainly to the fluctuation of the pension expenses associated with GASB Statement No. 68. Purchased services increased in the amount of $119,526 due to the increase in professional services required for students

Budgeting

The Intermediate 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 2016, the Intermediate School had $93,009 in capital assets. See Note 5 for additional information regarding capital assets.

Debt - The Intermediate School did not incur any debt during fiscal year 2016. The net pension liability under GASB 68 is reported as a long-term obligation and has been previously disclosed within the management's discussion and analysis. See Note 13 for more detailed information of the Intermediate School's debt.

Current Design

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

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

Contacting the Intermediate School's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Intermediate School's finances and to show the Intermediate School's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Lewis Sidwell, Treasurer, Foxfire Intermediate School, 2805 Pinkerton Road, Zanesville, Ohio 43701. You may also E-mail the treasurer at lsidwell@laca.org.

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Foxfire Intermediate School

Statement of Net Position

June 30, 2016

Assets:	
Current Assets:	
Cash and Cash Equivalents	$344,588
Intergovernmental Receivable	94,305
Total Current Assets	438,893
Noncurrent Assets:	
Depreciable Capital Assets, Net	93,009
Total Assets	531,902
Deferred Outflows of Resources:	
Pension	683,880
Liabilities:	
Current Liabilities:	
Accounts Payable	1,459
Accrued Wages and Benefits Payable	129,015
Intergovernmental Payable	7,083
Vacation Benefit Payable	13,563
Total Current Liabilities	151,120
Long-Term Liabilities:	
Net Pension Liability (See Note 10)	1,991,236
Other Amounts Due in More Than One Year	7,309
Total Long-Term Liabilities	1,998,545
Total Liabilities	2,149,665
Deferred Inflows of Resources:	
Pension	131,263
Net Position:	
Net Investment in Capital Assets	93,009
Unrestricted (Deficit)	(1,158,155)
Total Net Position	($1,065,146)

See accompanying notes to the basic financial statements

Foxfire Intermediate School

Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2016

Operating Revenues:	
Foundation	$1,419,726
Extracurricular Activities	1,528
Total Operating Revenues	1,421,254
Operating Expenses:	
Salaries	706,764
Fringe Benefits	327,487
Purchased Services	418,566
Materials and Supplies	8,787
Depreciation	31,620
Other Operating Expenses	2,178
Total Operating Expenses	1,495,402
Operating Loss	(74,148)
Non-Operating Revenues:	
State and Federal Grants	267,263
Interest	614
Other Non-Operating Revenues	32
Total Non-Operating Revenues	267,909
Change in Net Position	193,761
Net Position Beginning of Year	(1,258,907)
Net Position End of Year	($1,065,146)

See accompanying notes to the basic financial statements

Foxfire Intermediate School
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Foundation	$1,417,601
Cash Received from Extracurricular Activities	1,528
Cash Payments for Employee Services and Benefits	(932,562)
Cash Payments to Suppliers for Goods and Services	(431,307)
Other Operating Expenses	(2,178)
Other Non-Operating Revenues	1,787
Net Cash Provided By Operating Activities	54,869
Cash Flows from Noncapital Financing Activities:	
State and Federal Grants Received	180,837
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(32,973)
Cash Flows from Investing Activities:	
Interest on Investments	614
Net Increase in Cash and Cash Equivalents	203,347
Cash and Cash Equivalents Beginning of Year	141,241
Cash and Cash Equivalents End of Year	$344,588
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:	
Operating Loss	($74,148)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities:	
Depreciation	31,620
Non-Operating Revenues	1,787
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(2,125)
Decrease in Deferred Outflows - Pension	182,882
Decrease in Accounts Payable	(3,954)
Decrease in Accrued Wages and Benefits Payable	(4,052)
Increase in Vacation Benefits Payable	4,890
Decrease in Intergovernmental Payable	(46,050)
Increase in Compensated Absences Payable	654
Increase in Net Pension Liability	16,082
Decrease in Deferred Inflows - Pension	(52,717)
Net Cash Provided By Operating Activities	$54,869

See accompanying notes to the basic financial statements

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Note 1 - Description of the School

Foxfire Intermediate School (Intermediate School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Intermediate 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 Intermediate School's tax exempt status. The Intermediate School's mission is to maximize all students' potential by the teaching of high academic standards and overall student wellness to increase capabilities by bridging gaps in the best interests of each individual student. The Intermediate School is designed to serve potential dropouts, home schooled students, students who have experienced lack of success in traditional elementary and middle school settings, and non-traditional students of elementary and middle school age.

The Intermediate School was established on May 15, 2010 and began its first year of operations in fiscal year 2011. When the Intermediate School was first established, the students served were middle school age. In fiscal year 2013, the Intermediate School began to serve students first through eighth grade. The Intermediate School entered into a contract with the Maysville Local School District (the Sponsor). The Sponsor is responsible for evaluating the performance of the Intermediate School and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Intermediate School with the Treasurer of the Sponsor serving as the role of Treasurer for the Intermediate School.

The Intermediate 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 Intermediate School's staff of five noncertified and eleven certificated full time teaching personnel who provide services to 124 students. The Intermediate School is a component unit of the Sponsor. The Sponsor is able to impose its will on the Intermediate School and due to their relationship with the Sponsor it would be misleading to exclude them. The Sponsor can suspend the Intermediate School's operations for any of the following reasons: 1) The Intermediate School's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Intermediate School's failure to meet generally accepted standards of fiscal management, 3) The Intermediate 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 Intermediate School and the students it serves. The Intermediate School uses the facilities provided by the Sponsor. In the initial months of operation of the Intermediate School, the employees were considered employees of the Sponsor. Beginning January 1, 2011, the employees became employees of the Intermediate School.

The Intermediate School participates in one insurance purchasing pool, the Ohio School Benefits Cooperative. This organization is presented in Note 14 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Intermediate 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 Intermediate 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 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Intermediate 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 Intermediate 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 Intermediate 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 Intermediate 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 Intermediate School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Intermediate School on a reimbursement basis. Expenses are recognized at the time they are incurred.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Intermediate School, deferred outflows of resources are reported on the statement of net position for pension.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Intermediate School, deferred inflows of resources include pension. These amounts have been recorded as a deferred inflow on the statement of net position. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 10)

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 Intermediate School's contract with its Sponsor. The contract between the Intermediate 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 Intermediate 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 2016, the Intermediate School had no investments.

F. Capital Assets

The Intermediate School's capital assets during fiscal year 2016 consisted of computer equipment, video equipment, office equipment, and signs. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their acquisition values as of the date received. The Intermediate School maintains a capitalization threshold of five hundred dollars. All of the Intermediate School's reported capital assets are depreciated using the straight-line method over the useful lives ranging from five to 15 years.

G. Compensated Absences

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

H. Net Position

Net position represents the difference between assets and liabilities. Net position is 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 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 Intermediate School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Operating Revenues and Expenses

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

J. Estimates

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

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Note 3 – Changes in Accounting Principles

For fiscal year 2016, the Intermediate School implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Intermediate School's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the Intermediate School's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. This statement had no effect on the fiscal year 2016 financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Intermediate School's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Intermediate School's deposits may not be returned. The Intermediate School does not have a deposit policy for custodial credit risk. At June 30, 2016, the bank balance of the Intermediate School's deposits was $351,036. $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", $101,036 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 – Capital Asset

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Equipment	$188,618	$32,973	$0	$221,591
Less Accumulated Depreciation	(96,962)	(31,620)	0	(128,582)
Capital Assets, Net	$91,656	$1,353	$0	$93,009

Note 6 – Intergovernmental Receivable

Receivables at June 30, 2016, consisted of intergovernmental grants. The receivables are expected to be collected in full within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Title I	$16,213
Title VI-B	2,500
Title I-A	61,488
Title II-A	11,979
State Foundation Adjustments	2,125
Total	$94,305

Note 7 – Risk Management

The Intermediate School is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the fiscal year ended June 30, 2016, the Intermediate 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.

Note 8 – Purchased Services

For the period July 1, 2015 through June 30, 2016, purchased service expenses were for the following services:

Type	Amount
Professional and Technical Services	$211,736
Audit Services	8,206
Rent	198,624
Total	$418,566

Note 9 – Related Party Transactions

The Board of Directors of the Intermediate School consists of five community members recommended by the Executive Director of the Intermediate School after consulting with Maysville Local School District's (Sponsor) Superintendent. The Intermediate School is presented as a component unit of the Sponsor.

During fiscal year 2016, the Intermediate School paid the Sponsor $234,028 for rent, utilities, and other support services provided to the Intermediate School. As of June 30, 2016, there were no amounts owed by the Intermediate School to the Sponsor. The Intermediate School is located in a portion of facilities previously utilized by the Sponsor.

Note 10 – Defined Benefit Pension Plans

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Intermediate School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Intermediate School's obligation for this liability to annually required payments. The Intermediate School cannot control benefit terms or the manner in which pensions are financed; however, the Intermediate School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Intermediate School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Intermediate School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The Intermediate School's contractually required contribution to SERS was $23,954 for fiscal year 2016. Of this amount $3,241 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Intermediate School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Intermediate School's contractually required contribution to STRS was $71,501 for fiscal year 2016. Of this amount $341 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Intermediate School's proportion of the net pension liability was based on the Intermediate School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.004396%	0.00473443%	
Proportion of the Net Pension Liability Current Measurement Date	0.005397%	0.00609065%	
Change in Proportionate Share	0.001001%	0.00135622%	
Proportionate Share of the Net Pension Liability	$307,958	$1,683,278	$1,991,236
Pension Expense	$39,027	$202,675	$241,702

At June 30, 2016, the Intermediate School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$4,959	$76,736	$81,695
Changes in proportionate Share and difference between Intermediate School contributions and proportionate share of contributions	60,355	446,375	506,730
Intermediate School contributions subsequent to the measurement date	23,954	71,501	95,455
Total Deferred Outflows of Resources	$89,268	$594,612	$683,880
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$10,204	$121,059	$131,263

$95,455 reported as deferred outflows of resources related to pension resulting from Intermediate School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	$15,800	$95,662	$111,462
2018	15,800	95,662	111,462
2019	15,777	95,662	111,439
2020	7,733	115,066	122,799
Total	$55,110	$402,052	$457,162

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Intermediate School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Intermediate School's proportionate share of the net pension liability	$427,027	$307,958	$207,692

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Intermediate School's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Intermediate School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Intermediate School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$2,338,199	$1,683,278	$1,129,443

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2016, none of the Board of Education members elected Social Security.

Note 11 - Postemployment Benefits

A. School Employees Retirement System (SERS)

Health Care Plan Description - The Intermediate School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the Intermediate School's surcharge obligation was $2,830.

The Intermediate School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $2,830, $4,085, and $2,435, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

B. State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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 Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30. 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The Intermediate School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0 and $7,417, respectively. The full amount has been contributed for 2016, 2015, and 2014.

Note 12 - Contingencies

A. Grants

The Intermediate 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 Intermediate School at June 30, 2016.

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 Intermediate School. These reviews are conducted to ensure that the Intermediate School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The ODE funding review of fiscal year 2015 resulted in an underpayment to the Intermediate School in the amount of $19,378 which was paid to the Intermediate School by ODE during fiscal year 2016. There was a final fiscal year 2015 overpayment adjustment made by ODE on the August, 2016 foundation statement in the amount of $173. This adjustment was shown as a reduction to intergovernmental revenues on the Intermediate School's fiscal year 2016 financial statements. The ODE funding review of fiscal year 2016 resulted in an underpayment of $2,298 for the first adjustment posted to the State foundation settlement in September, 2016. This underpayment is shown as an intergovernmental receivable on the fiscal year 2016 financial statements. The ODE second adjustment for the fiscal year 2016 review in October, 2016 showed no adjustment necessary. Any further adjustments by ODE beyond the October adjustment was not available at this time.

C. Litigation

The Intermediate School currently is not a party to any lawsuits.

Note 13 – Long-Term Obligations

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

	Outstanding 6/30/2015	Additions	Deletions	Outstanding 6/30/2016	Due Within One Year
Compensated Absences	$6,655	$654	$0	$7,309	$0
Net Pension Liability:					
SERS	222,480	85,478	0	307,958	0
STRS	1,151,577	531,701	0	1,683,278	0
Total Net Pension Liability	1,374,057	617,179	0	1,991,236	0
Total Long-Term Obligations	$1,380,712	$617,833	$0	$1,998,545	$0

Note 14 – Insurance Purchasing Pool

Ohio School Benefits Cooperative

The Intermediate School participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be Educational Service Center and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay a $500 membership fee to OSBC. OSBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. Medical Mutual/Antares is the Administrator of the OSBC. The Intermediate School elected to participate in the joint insurance purchasing program for medical and prescription drug coverage.

Note 15 – Subsequent Events

Beginning July 1, 2016, the Intermediate School will consist of students in grades first through third for fiscal year 2017. The students in grades fourth through eighth will be relocated to the Foxfire High School.

Foxfire Intermediate School

Required Supplementary Information

Schedule of the Intermediate School's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

*Last Three Fiscal Years (1) **

	2016	2015	2014
Intermediate School's Proportion of the Net Pension Liability	0.005397%	0.004396%	0.003944%
Intermediate School's Proportionate Share of the Net Pension Liability	$307,958	$222,480	$234,563
Intermediate School's Covered-Employee Payroll	$162,314	$133,312	$119,794
Intermediate School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.73%	166.89%	195.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

* Amounts presented as of the Intermediate School's measurement date which is the prior fiscal year end.

Foxfire Intermediate School

Required Supplementary Information

Schedule of the Intermediate School's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

*Last Three Fiscal Years (1) **

	2016	2015	2014
Intermediate School's Proportion of the Net Pension Liability	0.00609065%	0.00473443%	0.00394829%
Intermediate School's Proportionate Share of the Net Pension Liability	$1,683,278	$1,151,577	$1,143,975
Intermediate School's Covered-Employee Payroll	$662,600	$507,271	$423,038
Intermediate School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	254.04%	227.01%	270.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

* Amounts presented as of the Intermediate School's measurement date which is the prior fiscal year end.

Foxfire Intermediate School

Required Supplementary Information

Schedule of the Intermediate School Contributions

School Employees Retirement System of Ohio

Last Six Fiscal Years

	2016	2015	2014	2013	2012	(1) 2011
Contractually Required Contribution	$23,954	$21,393	$18,477	$16,579	$15,543	$6,145
Contributions in Relation to the Contractually Required Contribution	(23,954)	(21,393)	(18,477)	(16,579)	(15,543)	(6,145)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
Intermediate School Covered-Employee Payroll	$171,100	$162,314	$133,312	$119,794	$115,559	$48,891
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

(1) Fiscal year 2011 was the first year of operation.

Foxfire Intermediate School

Required Supplementary Information

Schedule of the Intermediate School Contributions

State Teachers Retirement System of Ohio

Last Six Fiscal Years

	2016	2015	2014	2013	2012	(1) 2011
Contractually Required Contribution	$71,501	$92,764	$65,945	$54,995	$40,684	$19,129
Contributions in Relation to the Contractually Required Contribution	(71,501)	(92,764)	(65,945)	(54,995)	(40,684)	(19,129)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
Intermediate School Covered-Employee Payroll	$510,721	$662,600	$507,271	$423,038	$312,954	$147,146
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) Fiscal year 2011 was the first year of operation

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

Foxfire Intermediate School
Muskingum County
2805 Pinkerton Road
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 the Foxfire Intermediate School, Muskingum County, Ohio (the Intermediate School), a component unit of the Maysville Local School District, Muskingum County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Intermediate 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 Intermediate 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 Intermediate 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 Intermediate 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 Intermediate School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Intermediate School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

February 2, 2017

FOXFIRE INTERMEDIATE SCHOOL

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 16, 2017