

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**SINGLE AUDIT**

**JULY 1 – 2010 - JUNE 30, 2011**







# Dave Yost • Auditor of State

Ross-Pike Educational Service District  
475 Western Avenue  
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditors' Report* of the Ross-Pike Educational Service District, Ross County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ross-Pike Educational Service District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

January 10, 2012

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**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Ross-Pike Educational Service District  
Ross County  
475 Western Avenue, Suite E  
Chillicothe, Ohio 45601

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District, Ross County, Ohio (the Educational Service District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the Educational Service District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service District'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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District, Ross County, Ohio as of June 30, 2011, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the Educational Service District restated fund balances based on implementing Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011, on our consideration of the Educational Service District's internal control over financial reporting and on 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.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
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Ross-Pike Educational Service District  
Ross County  
Independent Auditors' Report

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, and the budgetary comparison schedules for the General fund, IDEA Part B fund and the Alternative Schools fund*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurances.

We conducted our audit to opine on the financial statements that collectively comprise the Educational Service District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting records and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financials statements taken as a whole.

*Wilson, Shuman & Snow, Inc.*

December 19, 2011

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The management's discussion and analysis of the Ross-Pike Educational Service District (the "Educational Service District") financial performance provides an overall review of the Educational Service District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Educational Service District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Educational Service District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$406,562 from \$2,880,039 to \$3,286,601 which represents a 14% increase from 2010.
- General revenues accounted for \$698,883 in revenue or 6% of all revenues. Program specific revenues in the form of charges for services operating grants and contributions accounted for \$10,072,935 or 94% for total revenues of \$10,771,818.
- The Educational Service District had \$10,365,256 in expenses related to governmental activities; \$10,072,935 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$698,883 were adequate to provide for these programs.
- The Educational Service District's major governmental funds are the General fund, IDEA Part B fund, and the Alternative Schools fund. The General fund had \$8,299,151 in revenues and other financing sources and \$8,076,788 in expenditures. During fiscal year 2011, the General fund's fund balance increased \$222,363 from \$2,739,683 to \$2,962,046.
- The IDEA Part B fund had \$1,270,360 in revenues and \$1,175,046 in expenditures. During fiscal year 2011, the IDEA Part B fund's fund deficit decreased \$95,314 from a deficit of \$53,120 to a balance \$42,194.
- The Alternative Schools fund had \$444,200 in revenues and \$439,487 in expenditures. During fiscal year 2011, the Alternative Schools fund's fund deficit decreased \$4,713 from a deficit of \$62,028 to a deficit of \$57,315.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Educational Service District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole Educational Service District, presenting both an aggregate view of the Educational Service District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The fund financial statements also look at the Educational Service District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Educational Service District, the General fund, IDEA Part B fund, and the Alternative Schools fund are by far the most significant funds, and the only governmental funds reported as major funds.

**Reporting the Educational Service District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the Educational Service District to provide programs and activities, the view of the Educational Service District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Educational Service District as a whole, the *financial position* of the Educational Service District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Educational Service District's facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the Educational Service District's programs and services, including instruction, support services, and operation of non-instructional services.

The Educational Service District's statement of net assets and statement of activities can be found on pages 11-12 of this report.

**Reporting the Educational Service District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the Educational Service District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the Educational Service District's major funds. The Educational Service District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service District's most significant funds. The Educational Service District's major governmental funds are the General fund, IDEA Part B fund and the Alternative Schools fund.

*Governmental Funds*

Most of the Educational Service District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The governmental fund financial statements provide a detailed *short-term* view of the Educational Service District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 13-16 of this report.

***Proprietary Fund***

The Educational Service District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Educational Service District's various functions. The Educational Service District's internal service fund accounts for medical, dental and vision self-insurance programs. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

***Reporting the Educational Service District's Fiduciary Responsibilities***

The Educational Service District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The Educational Service District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the Educational Service District's other financial statements because the assets cannot be utilized by the Educational Service District to finance its operations. The agency funds are used to account for virtual learning programs and district agency.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-44 of this report.

***Supplementary Information***

The Educational Service District has presented a budgetary comparison schedule for the General fund, the IDEA Part B fund and Alternative Schools fund as supplementary information on pages 45-49 of this report.

**The Educational Service District as a Whole**

Recall that the statement of net assets provides the perspective of the Educational Service District as a whole. A comparative analysis has been provided below.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The table below provides a summary of the Educational Service District's net assets at June 30, 2011 and 2010.

	<b>Net Assets</b>	
	Governmental Activities 2011	Governmental Activities 2010
<b><u>Assets</u></b>		
Current and other assets	\$ 4,689,633	\$ 4,371,896
Capital assets, net	<u>144,517</u>	<u>183,790</u>
Total assets	<u>4,834,150</u>	<u>4,555,686</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,157,806	1,263,424
Long-term liabilities	<u>389,743</u>	<u>412,223</u>
Total liabilities	<u>1,547,549</u>	<u>1,675,647</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	144,517	183,790
Restricted	165,152	241,127
Unrestricted	<u>2,976,932</u>	<u>2,455,122</u>
Total net assets	<u>\$ 3,286,601</u>	<u>\$ 2,880,039</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Educational Service District's assets exceeded liabilities by \$3,286,601. Of this total, \$2,976,932 is unrestricted in use.

At fiscal year-end, capital assets represented 3% of total assets. Capital assets include furniture and equipment and educational materials. Capital assets, net of accumulated depreciation at June 30, 2011, were \$144,517. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the Educational Service District's net assets, \$165,152, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,976,932 may be used to meet the Educational Service District's ongoing obligations to the students and creditors.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The table below shows the change in net assets for fiscal years 2011 and 2010.

	<b>Change in Net Assets</b>	
	Governmental Activities 2011	Governmental Activities 2010
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services	\$ 7,075,448	\$ 5,857,531
Operating grants and contributions	2,997,487	2,845,932
General revenues:		
Grants and entitlements	503,055	507,104
Investment earnings	19,319	17,299
Miscellaneous	176,509	54,548
Total revenues	<u>10,771,818</u>	<u>9,282,414</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	45,539	5,343
Special	4,307,070	3,602,157
Other	12,531	8,215
Support services:		
Pupil	2,001,832	1,924,933
Instructional staff	2,977,738	2,752,082
Board of education	55,967	75,137
Administration	435,954	830,218
Fiscal	330,910	341,350
Operations and maintenance	110,317	138,858
Central	61,348	58,176
Operations of non-instructional services	26,050	38,387
Extracurricular activities	-	201
Total expenses	<u>10,365,256</u>	<u>9,775,057</u>
Change in net assets	406,562	(492,643)
Net assets at beginning of year	<u>2,880,039</u>	<u>3,372,682</u>
Net assets at end of year	<u>\$ 3,286,601</u>	<u>\$ 2,880,039</u>

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

**Governmental Activities**

Net assets of the Educational Service District's governmental activities increased \$406,562. Total governmental expenses of \$10,365,256 were offset by program revenues of \$10,072,935 and general revenues of \$698,883. Program revenues supported 97% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services. This revenue source represents 66% of total governmental revenue.

The largest expense of the Educational Service District is for support services programs. Support services expenses totaled \$5,974,066 or 58% of total governmental expenses for fiscal year 2011.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2011 and 2010. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 45,539	\$ 8,714	\$ 5,343	\$ 1,406
Special	4,307,070	(312,603)	3,602,157	(91,057)
Other	12,531	1,805	8,215	2,162
Support services:				
Pupil	2,001,832	360,314	1,924,933	547,019
Instructional staff	2,977,738	182,582	2,752,082	356,136
Board of education	55,967	10,812	75,137	19,777
Administration	435,954	30,166	830,218	114,896
Fiscal	330,910	(21,255)	341,350	64,563
Operations and maintenance	110,317	(5,432)	138,858	31,314
Central	61,348	11,168	58,176	15,234
Operations of non-instructional services	26,050	26,050	38,387	10,104
Extracurricular activities	-	-	201	40
Total expenses	<u>\$ 10,365,256</u>	<u>\$ 292,321</u>	<u>\$ 9,775,057</u>	<u>\$ 1,071,594</u>

For all governmental activities, program revenue support is 97% at June 30, 2011 and 89% at June 30, 2010. The Educational Service District's charges for services, as a whole, are by far the primary support for Educational Service District's students.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The Educational Service District's governmental funds reported a combined fund balance of \$3,053,174, which is higher than last year's fund balance of \$2,834,227. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance/(Deficit) June 30, 2011	(Restated) Fund Balance/(Deficit) June 30, 2010	Increase (Decrease)	Percentage Change
General	\$ 2,962,046	\$ 2,739,683	\$ 222,363	8 %
IDEA Part B	42,194	(53,120)	95,314	179 %
Alternative Schools	(57,315)	(62,028)	4,713	8 %
Other Governmental	106,249	209,692	(103,443)	(49) %
<b>Total</b>	<b>\$ 3,053,174</b>	<b>\$ 2,834,227</b>	<b>\$ 218,947</b>	<b>8 %</b>

***General Fund***

The Educational Service District's general fund balance increased \$222,363.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 Amount	2010 Amount	Increase	Percentage Change
<b><u>Revenues</u></b>				
Tuition	\$ 6,078,191	\$ 5,022,469	\$ 1,055,722	21 %
Charges for services	436,332	330,973	105,359	32 %
Earnings on investments	21,274	16,396	4,878	30 %
Intergovernmental	1,584,474	1,554,058	30,416	2 %
All other revenues	178,880	54,548	124,332	228 %
<b>Total</b>	<b>\$ 8,299,151</b>	<b>\$ 6,978,444</b>	<b>\$ 1,320,707</b>	<b>19 %</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 3,900,516	\$ 2,940,723	\$ 959,793	33 %
Support services	4,117,902	4,077,005	40,897	1 %
Non-instructional services	58,370	38,387	19,983	52 %
<b>Total</b>	<b>\$ 8,076,788</b>	<b>\$ 7,056,115</b>	<b>\$ 1,020,673</b>	<b>14 %</b>

Revenues of the general fund increased \$1,320,707 or 19%. Tuition revenues increased \$1,055,722 or 21%. This increase is primarily due to increased excess costs charged to schools. All other receipts increased \$124,332, or 228% which is primarily attributed reimbursements and services provided to other entities.

Expenditures of the general fund increased \$1,020,673 or 14%. The most significant increase was in the area of instruction. Instruction increases are due to an increase in staffing at the Educational Service District to provide more services to partnering districts.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

***IDEA Part B Fund***

The IDEA Part B fund had \$1,270,360 in revenues and \$1,175,046 in expenditures. During fiscal year 2011, the IDEA Part B fund's deficit decreased \$95,314 from a deficit of \$53,120 to a balance of \$42,194.

***Alternative Schools Fund***

The Alternative Schools fund had \$444,200 in revenues and \$439,487 in expenditures. During fiscal year 2011, the Alternative Schools fund's fund deficit decreased \$4,713 from a deficit of \$62,028 to a deficit of \$57,315.

***Capital Assets***

At the June 30, 2011, the Educational Service District had \$144,517 invested in furniture and equipment and educational media. This entire amount is reported in governmental activities. The following table shows June 30, 2011 balances compared to June 30, 2010:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Furniture and equipment	\$ 144,517	\$ 183,790
Educational Media	-	-
Total	\$ 144,517	\$ 183,790

The overall decrease in capital assets of \$39,273 is due to capital asset disposals and accumulated depreciation exceeding additions during fiscal year 2011. See Note 7 to the basic financial statements for additional information on the Educational Service District's capital assets.

**Current Financial Related Activities**

The Center is financially solvent. As the preceding information shows, the Educational Service District relies heavily on contracts with local, city, and exempted village school districts in Ross and Pike Counties, as well as State foundation revenue and grants. The new contracts with our local, city, and exempted school districts, and providing the fiscal and administrative role to several entities, the Educational Service District will be able to provide the necessary funds to meet operating expenses in the future.

**Contacting the Educational Service District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service District's finances and to show the Educational Service District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Erin Kirby, Treasurer, Ross-Pike Educational Service District, 475 Western Ave., Suite E, Chillicothe, OH

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 3,877,232
Cash with fiscal agent	203,571
Receivables:	
Intergovernmental	606,875
Accrued interest	1,955
Capital assets:	
Depreciable capital assets, net	144,517
Total capital assets, net	144,517
 Total assets	 4,834,150
 <b>Liabilities:</b>	
Accounts payable	46,903
Accrued wages and benefits	824,000
Pension obligation payable	114,190
Intergovernmental payable	53,013
Claims payable	119,700
Long-term liabilities:	
Due within one year	60,705
Due in more than one year	329,038
 Total liabilities	 1,547,549
 <b>Net Assets:</b>	
Invested in capital assets	144,517
Restricted for:	
Locally funded programs	97,017
State funded programs	12,695
Federally funded programs	55,440
Unrestricted	2,976,932
 <b>Total net assets</b>	 <b>\$ 3,286,601</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
<b>Governmental activities:</b>				<b>Governmental</b>
				<b>Activities</b>
Instruction:				
Regular	\$ 45,539	\$ 36,825	\$ -	\$ (8,714)
Special	4,307,070	3,518,947	1,100,726	312,603
Other	12,531	7,629	3,097	(1,805)
Support services:				
Pupils	2,001,832	1,613,409	28,109	(360,314)
Instructional staff	2,977,738	1,149,590	1,645,566	(182,582)
Board of education	55,967	45,155	-	(10,812)
Administration	435,954	377,618	28,170	(30,166)
Fiscal	330,910	191,936	160,229	21,255
Operations and maintenance	110,317	87,138	28,611	5,432
Central	61,348	47,201	2,979	(11,168)
Operation of non-instructional services	26,050	-	-	(26,050)
<b>Total governmental activities</b>	<b>\$ 10,365,256</b>	<b>\$ 7,075,448</b>	<b>\$ 2,997,487</b>	<b>(292,321)</b>

**General Revenues:**

Grants and entitlements not restricted to specific programs	503,055
Investment earnings	19,319
Miscellaneous	176,509
<b>Total general revenues</b>	<b>698,883</b>
Change in net assets	406,562
<b>Net assets at beginning of year</b>	<b>2,880,039</b>
<b>Net assets at end of year</b>	<b>\$ 3,286,601</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General</u>	<u>IDEA Part B</u>	<u>Alternative Schools</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments	\$ 3,280,715	\$ 83,431	\$ -	\$ 129,449	\$ 3,493,595
Receivables:					
Intergovernmental	446,679	-	116,200	43,996	606,875
Accrued interest	1,955	-	-	-	1,955
Due from other funds	107,164	-	-	-	107,164
<b>Total assets</b>	<b>\$ 3,836,513</b>	<b>\$ 83,431</b>	<b>\$ 116,200</b>	<b>\$ 173,445</b>	<b>\$ 4,209,589</b>
<b>Liabilities:</b>					
Accounts payable	\$ 15,146	\$ 3,908	\$ 6,059	\$ 20,952	\$ 46,065
Accrued wages and benefits	720,435	32,699	55,285	15,581	824,000
Pension obligation payable	102,633	2,489	6,689	2,379	114,190
Intergovernmental payable	34,298	2,141	1,510	15,064	53,013
Due to other funds	-	-	103,972	3,192	107,164
Deferred revenue	1,955	-	-	10,028	11,983
<b>Total liabilities</b>	<b>874,467</b>	<b>41,237</b>	<b>173,515</b>	<b>67,196</b>	<b>1,156,415</b>
<b>Fund Balances:</b>					
Committed:					
Termination Benefits	30,825	-	-	-	30,825
Restricted:					
Regular Instruction	-	-	-	109,712	109,712
Special Instruction	-	42,194	-	769	42,963
Targeted Academic Assistance	-	-	-	11,708	11,708
Assigned:					
Summer Programs	13,333	-	-	-	13,333
After School Programs	4,000	-	-	-	4,000
Unassigned	2,913,888	-	(57,315)	(15,940)	2,840,633
<b>Total fund balances</b>	<b>2,962,046</b>	<b>42,194</b>	<b>(57,315)</b>	<b>106,249</b>	<b>3,053,174</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,836,513</b>	<b>\$ 83,431</b>	<b>\$ 116,200</b>	<b>\$ 173,445</b>	<b>\$ 4,209,589</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT**  
**ROSS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

<b>Total governmental fund balances</b>		\$ 3,053,174
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		144,517
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental receivable	\$ 10,028	
Accrued interest receivable	<u>1,955</u>	
Total		11,983
An internal service fund is used by management to charge the costs of self-insurance operations to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		466,670
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(389,743)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 3,286,601</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT**  
**ROSS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	IDEA Part B	Alternative Schools	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Tuition	\$ 6,078,191	\$ -	\$ 444,200	\$ 11,735	\$ 6,534,126
Charges for services	436,332	-	-	4,809	441,141
Earnings on investments	21,274	-	-	-	21,274
Other local revenues	136,877	-	-	35,565	172,442
Gifts and contributions	980	-	-	3,087	4,067
Services provided to other entities	39,106	-	-	-	39,106
Intergovernmental	1,584,474	1,270,360	-	716,811	3,571,645
Total revenues	<u>8,297,234</u>	<u>1,270,360</u>	<u>444,200</u>	<u>772,007</u>	<u>10,783,801</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	45,539	-	-	-	45,539
Special	3,845,543	-	439,487	13,409	4,298,439
Other	9,434	-	-	3,097	12,531
Support services:					
Pupil	1,995,172	-	-	28,109	2,023,281
Instructional staff	1,416,248	1,067,227	-	578,339	3,061,814
Board of education	55,840	-	-	127	55,967
Administration	305,534	14,609	-	153,761	473,904
Fiscal	237,352	77,669	-	82,560	397,581
Operations and maintenance	107,756	-	-	2,561	110,317
Central	58,370	-	-	2,978	61,348
Operation of non-instructional	-	15,541	-	10,509	26,050
Total expenditures	<u>8,076,788</u>	<u>1,175,046</u>	<u>439,487</u>	<u>875,450</u>	<u>10,566,771</u>
Excess of expenditures over (under) revenues	<u>220,446</u>	<u>95,314</u>	<u>4,713</u>	<u>(103,443)</u>	<u>217,030</u>
<b>Other financing sources:</b>					
Sale of capital assets	1,917	-	-	-	1,917
Total other financing sources	<u>1,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,917</u>
Net change in fund balances	222,363	95,314	4,713	(103,443)	218,947
<b>Fund balances (deficits) at beginning of year (Restated - Note 3)</b>	2,739,683	(53,120)	(62,028)	209,692	2,834,227
<b>Fund balances (deficits) at end of year</b>	<u>\$ 2,962,046</u>	<u>\$ 42,194</u>	<u>\$ (57,315)</u>	<u>\$ 106,249</u>	<u>\$ 3,053,174</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Net change in fund balances - total governmental funds** \$ 218,947

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$	28,145
Current year depreciation		<u>(65,549)</u>

Total		(37,404)
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (1,869)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (68,930)

Some expenses reported in the statement of activities, including compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 13,860

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 281,958

**Change in net assets of governmental activities** \$ 406,562

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments	\$ 383,637
Cash with fiscal agent	<u>203,571</u>
Total assets	<u>587,208</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	838
Claims payable	<u>119,700</u>
Total liabilities	<u>120,538</u>
<b>Net assets:</b>	
Unrestricted	<u>466,670</u>
<b>Total net assets</b>	<b>\$ <u><u>466,670</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$ 1,335,154
Total operating revenues	1,335,154
 <b>Operating expenses:</b>	
Purchased services	19,930
Claims	1,033,266
Total operating expenses	1,053,196
 Operating income/change in net assets	281,958
 <b>Net assets at beginning of year</b>	184,712
<b>Net assets at end of year</b>	\$ 466,670

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from other operations	\$ 1,335,154
Cash payments for contractual services	(19,092)
Cash payments for claims	(1,098,045)
	218,017
Net cash provided by operating activities	218,017
Net increase in cash and investments	218,017
<b>Cash and investments at beginning of year</b>	369,191
<b>Cash and investments at end of year</b>	\$ 587,208
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 281,958
Changes in assets and liabilities:	
Increase in accounts payable	838
(Decrease) in claims payable	(64,779)
	218,017
Net cash provided by operating activities	\$ 218,017

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2011

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cashand investments	\$ 64,001
Receivables:	
Intergovernmental	<u>28,045</u>
<b>Total assets</b>	<b><u>\$ 92,046</u></b>
<b>Liabilities:</b>	
Accounts payable	\$ 250
Intergovernmental payable	6,468
Undistributed monies	<u>85,328</u>
<b>Total liabilities</b>	<b><u>\$ 92,046</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE DISTRICT**

The Ross-Pike Educational Service District (the “Educational Service District”) is located in Chillicothe, Ohio, the county seat. The Educational Service District is a government resulting from a consolidation of the former Ross County Educational Service Center and the former Pike County Educational Service Center. The Educational Service District began operations on July 1, 1999. The Educational Service District supplies supervisory, special education, administrative and other services to the Union-Scioto, Adena, Zane Trace, Scioto Valley (Ross), Huntington, Western, Eastern, Scioto Valley (Pike) and Paint Valley Local School Districts, the Chillicothe and the Waverly City School Districts, the Vern Riffe Career Technology Center and the Pickaway-Ross Career and Technology Center. The Educational Service District furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Ross-Pike Educational Service District operates under a locally-elected Board form of government consisting of five members from Ross County, plus four Board members from the Pike County Joint Vocational school, who are elected for staggered four year terms and two members that are appointed by the nine elected Board members. The Educational Service District has 103 support staff employees and 78 certified teaching personnel that provide services to the local and city school districts and the career technology centers.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Educational Service District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Educational Service District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities and proprietary fund provided it does not conflict with or contradict GASB pronouncements. The Educational Service District’s significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “*The Financial Reporting Entity*” as amended by GASB Statement No. 39, “*Determining Whether Certain Organizations Are Component Units*”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Educational Service District. For the Educational Service District, this includes general operations and student related activities of the Educational Service District.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Component units are legally separate organizations for which the Educational Service District is financially accountable. The Educational Service District is financially accountable for an organization if the Educational Service District appoints a voting majority of the organization's Governing Board and (1) the Educational Service District is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service District is legally entitled to or can otherwise access the organization's resources; or (3) the Educational Service District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Educational Service District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service District in that the Educational Service District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the Educational Service District has no component units. The basic financial statements of the reporting entity include only those of the Educational Service District (the primary government).

*JOINTLY GOVERNED ORGANIZATIONS*

*South Central Ohio Computer Association* - The Educational Service District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Brown, Pike, Scioto, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, and one representative from the fiscal agent. The Educational Service District paid SCOCA \$16,712 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio 45661.

*Pickaway-Ross Career and Technology Center* - The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, and the Educational Service District, each of which possesses its own budgeting and taxing authority.

During fiscal year 2011, the Educational Service District made no contributions to the Pickaway-Ross Career and Technology Center.

To obtain financial information write to the Pickaway-Ross Career and Technology Center, Ben Van Horn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Vern Riffe Career Technology Center - The Verne Riffe Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of the Pike County Joint Vocational Board of Education and two representatives from the Waverly City School's Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vern Riffe Career Technology Center, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Program

The ESC participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service District by virtue of its grouping and representation with other participants in the GRP. The Educational Service District pays a fee to the GRP to cover the costs of administering the program.

Ross County School Employees Insurance Consortium - The Educational Service District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), Council of Governments established as a claims servicing pool for medical/surgical, dental, and vision insurance and an insurance purchasing pool for life insurance. The consortium consists of seven school districts within Ross County. The Educational Service District participates in the Medical and life insurance which is administered through a third party administrator, Medical Mutual and prescription is administered through a third-party administrator, Express Scripts, Inc. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Ross-Pike Educational Service District, 475 Western Ave., Chillicothe, Ohio 45601.

**B. Basis of Presentation**

The Educational Service District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements: The statement of net assets and the statement of activities display information about the Educational Service District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the Educational Service District that are governmental and those that are classified as business type. However, the Educational Service District has no activities that are classified as business type.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The statement of net assets presents the financial condition of governmental activities of the Educational Service District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service District's governmental activities. Direct expenses are those that are specifically associated with a service program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Educational Service District.

*Fund Financial Statements:* During the fiscal year, the Educational Service District segregates transactions related to certain Service District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**C. Fund Accounting**

The Educational Service District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this Educational Service District can be classified using three categories, governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Educational Service District's major governmental funds:

*General fund* - This fund is the general operating fund of the Educational Service District and is used to account for and report all financial resources except those required to be accounted for in another fund. The general fund is available to the Educational Service District for any purpose provided it is expended or transferred according to the school laws of Ohio. The other governmental funds of the Educational Service District account for grants and other resources, whose use is restricted to a particular purpose.

*IDEA Part-B* - This fund is used to account for and report receipts and expenditures associated with providing public education to children with disabilities.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Alternative Schools fund - This fund is used to account for and report receipts and expenditures associated with providing public education and related services.

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the Educational Service District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of enterprise funds and internal service funds; the Educational Service District has no enterprise funds.

Internal service fund - The internal service fund is used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the Educational Service District, or to other governments, on a cost-reimbursement basis. The Educational Service District's only internal service fund accounts for the self-insurance program for employee medical, dental and vision claims.

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The Educational Service District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The Educational Service District's only fiduciary fund are agency funds, used to account for and report a virtual learning program and a district agency fund.

**D. Measurement Focus and Basis of Accounting**

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Educational Service District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditure and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows provides information about how the Educational Service District finances and meets the cash flow needs of its proprietary activities.

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service District, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the Educational Service District receives value without directly giving equal value in return, include grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Educational Service District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Educational Service District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, grant revenue is considered to be both measurable and available at fiscal year end.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Revenues received in advance of the fiscal year for which they are intended to finance have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The focus of modified accrual basis accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred if measurable, except for the costs of accumulated unpaid vacation, personal leave and sick leave. They are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**F. Budgetary Process**

Although not legally required, the Educational Service District adopts its budget for all funds, other than agency funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Educational Service District (which are apportioned by the State Department of Education to each local Board of Education under the supervision of the Educational Service District) and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Educational Service District's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Educational Service District was discretionary, the Educational Service District continued to have its Board approve appropriations. The Educational Service District's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. Budgetary information for the General fund, the IDEA Part B school fund, and Alternative Schools fund have been presented as supplementary information to the basic financial statements.

**G. Equity in Pooled Cash and Investments**

To improve cash management, all cash received by the Educational Service District, other than cash with fiscal agent, is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the Educational Service District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

The Educational Service District participates in a claims servicing pool that pays employee health insurance claims on the Educational Service District's behalf. The amount contributed by the Educational Service District to the Ross County School Employees Insurance Consortium at July 1, 2009 establishing their claims reserve with the Consortium and the fiscal agent at June 30, 2011 is presented as "cash with fiscal agent" on the financial statements.

During fiscal year 2011, the Educational Service District investments were limited to federal agency securities, U.S. Government money market and funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are recorded at fair value that is based upon quoted market prices. Nonparticipating investment contracts, are reported at cost.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s shares price which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Educational Service District has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$21,274, which includes \$1,165 assigned from other Educational Service District funds.

**H. Capital Assets and Depreciation**

All capital assets of the Educational Service District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service District maintains a capitalization threshold of \$500. The Educational Service District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. Improvements are capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Furniture	10 - 20 years
Educational Media	3 - 6 years
Computers and Equipment	4 - 6 years

**I. Compensated Absences**

Compensated absences of the Educational Service District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Educational Service District and the employee.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service at age 50 were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, compensated absences and special termination benefits 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 in the current year.

**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as "due to/from other funds". These amounts are eliminated in the governmental type activities columns on the statement of net assets.

**L. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated in the statement of activities.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Educational Service District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

***Restricted:*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Educational Service District resolutions).

Enabling legislation authorizes the Educational Service District to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Educational Service District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

***Committed:*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Educational Service District Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Governing Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned:*** Amounts in the assigned fund balance classification are intended to be used by the Educational Service District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Governing Board or an Educational Service District official delegated that authority by resolution or by State Statute.

***Unassigned:*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Educational Service District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**N. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Educational Service District, these revenues are charges for services for medical, life and dental benefits provided to employees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

Non-operating revenues and expenses are those that are not generated directly by the Educational Service District's primary mission. The Educational Service District had no non-operating revenues or expenses during fiscal year 2011.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the Educational Service District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the Educational Service District's financial statements.

*Restatement of Prior Year's Fund Balance* - Due to the implementation of GASB Statement No. 54, fund reclassification occurred for two funds that had previously been reported as special revenue funds and are now being combined with the General Fund in accordance with the new standards. The effect of the change is as follows:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Fund Balances June 30, 2010	\$2,745,529	\$203,846
Restatement, Fund Reclassification	(5,846)	5,846
Restated Fund Balance, June 30, 2010	\$2,739,683	\$209,692

**B. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
Alternative Schools	\$ 57,315
 <u>Nonmajor funds</u>	
Management information systems	\$ 9
Alternative schools	65
Miscellaneous state grants	2,907
IDEA preschool grant for the handicapped	12,960

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Educational Service District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Educational Service District 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 Educational Service District 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 monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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;
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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Educational Service District deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Educational Service District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the Educational Service District had \$25 in undeposited cash on hand which is included on the financial statements of the Educational Service District as part of "equity in pooled cash and investments."

**B. Cash with Fiscal Agent**

The Educational Service District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The account held by the fiscal agent at June 30, 2011 was \$203,571 and is not included in the "Deposits with Financial Institutions" below.

**C. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all Educational Service District deposits was \$1,305,657. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,092,434 of the Educational Service District's bank balance of \$1,441,121 was exposed to custodial credit risk as discussed below, while \$348,687 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Educational Service District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Educational Service District.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The Educational Service District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2011, the Educational Service District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
FHLB	\$ 654,305	\$ -	\$ -	\$ 404,843	\$ 249,462
FHLM	965,228	-	965,228	-	-
FNMA	205,062	205,062	-	-	-
U.S. Treasury Bill	649,142	-	649,142	-	-
U.S. Government money market	5,702	5,702	-	-	-
STAR Ohio	156,112	156,112	-	-	-
Total	<u>\$ 2,635,551</u>	<u>\$ 366,876</u>	<u>\$ 1,614,370</u>	<u>\$ 404,843</u>	<u>\$ 249,462</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Educational Service District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The Educational Service District's investments in the federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market AAAM money market ratings. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Educational Service District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Educational Service District's name. The Educational Service District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The Educational Service District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Educational Service District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 654,305	24.83
FHLM	965,228	36.62
FNMA	205,062	7.78
U.S. Treasury Bill	649,142	24.63
U.S. Government money market	5,702	0.22
STAR Ohio	<u>156,112</u>	<u>5.92</u>
Total	<u>\$ 2,635,551</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,305,657
Investments	2,635,551
Cash with fiscal agent	203,571
Cash on hand	<u>25</u>
Total	<u>\$ 4,144,804</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,080,803
Agency funds	<u>64,001</u>
Total	<u>\$ 4,144,804</u>

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 5 - INTERFUND TRANSACTIONS**

Due to/from other funds consisted of the following at June 30, 2011, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Alternative Schools	\$ 103,972
General fund	Nonmajor governmental fund	3,192
Total		<u>\$ 107,164</u>

The amount due to the general fund is a result of negative cash at fiscal year end. Interfund loans between governmental funds are eliminated on the government-wide statements.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2011 consisted of intergovernmental (billings to districts for user charged services and accrued interest. All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental activities:</b>	
Intergovernmental	\$ 606,875
Accrued interest	<u>1,955</u>
Total	<u>\$ 608,830</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 7 - CAPITAL ASSETS**

A summary of the changes in capital assets during fiscal year 2011 follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2011</u>
<b>Governmental activities:</b>				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 512,439	\$ 28,145	\$ (58,579)	\$ 482,005
Educational media	<u>861</u>	<u>-</u>	<u>-</u>	<u>861</u>
Total capital assets, being depreciated	<u>513,300</u>	<u>28,145</u>	<u>(58,579)</u>	<u>482,866</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	(328,649)	(65,549)	56,710	(337,488)
Educational media	<u>(861)</u>	<u>-</u>	<u>-</u>	<u>(861)</u>
Total accumulated depreciation	<u>(329,510)</u>	<u>(65,549)</u>	<u>56,710</u>	<u>(338,349)</u>
Depreciable capital assets, net	<u>183,790</u>	<u>(37,404)</u>	<u>(1,869)</u>	<u>144,517</u>
Governmental activities capital assets, net	<u>\$ 183,790</u>	<u>\$ (37,404)</u>	<u>\$ (1,869)</u>	<u>\$ 144,517</u>

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to government functions as follows:

<u>Instruction:</u>	
Special	\$ 10,799
<u>Support services:</u>	
Pupil	4,607
Instructional staff	24,749
Administration	<u>25,394</u>
Total depreciation expense	<u>\$ 65,549</u>

**NOTE 8 - RISK MANAGEMENT**

**A. Property**

The Educational Service District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Educational Service District contracted with the Ohio School Plan for property insurance.

Coverages are as follows:

Building and Contents-replacement cost (\$250 deductible) \$202,250

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

The Educational Service District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to 304 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Effective January 1, 2004, the Plan elected to participate in a paid loss ratio corridor deductible in its first \$1 million layer of casualty reinsurance. The corridor includes losses paid between 65% and 80% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 65%, the Plan would pay all the losses incurred related to this treaty up to the next 15% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 80% is exceeded. Effective November 1, 2009, the Plan's loss corridor includes losses paid between 80% and 85% of the premiums earned under this treaty. Effective July 1, 2010, the Plan retained 100% of the first \$150,000 layer of property. The plan's annual loss aggregate under this property treaty is \$1.2 million (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 8 - RISK MANAGEMENT - (Continued)**

**B. Risk Pool Membership**

In the event that the reinsurance company should be unable to meet their obligations under the existing reinsurance agreements, the Plan would be liable for such defaulted amounts. Conversely, should the Plan be unable to meet its obligations, amounts due the Plan under the reinsurance contracts shall be payable by the reinsurers on the basis of the liability of the Plan under the original Plan policies reinsured without dilution. The Plan evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies.

The Plan's audited financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$ 3,859,753	\$ 3,662,470
Liabilities	<u>1,732,921</u>	<u>1,729,914</u>
Members' Equity	<u>\$ 2,126,832</u>	<u>\$ 1,932,556</u>

You can read the complete audited financial statements for the Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

**C. OASBO Workers' Compensation Group Rating Plan**

For fiscal year 2011, the Educational Service District participated in the OASBO Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school Educational Service District's is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school Educational Service District's within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school Educational Service District's that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to the school Educational Service District's that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 8 - RISK MANAGEMENT - (Continued)**

**D. Employee Medical/Dental/Vision Benefits**

Medical/surgical, dental and vision insurance is offered to employees through a self-insurance internal service fund. The Educational Service District is a member of a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service District's behalf. The claims liability of \$119,700 reported in the internal service fund at June 30, 2011 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2011	\$ 184,479	\$ 1,033,266	\$ (1,098,045)	\$ 119,700
2010	117,258	1,434,833	(1,367,612)	184,479

**NOTE 9 - PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The Educational Service District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service District is required to contribute at an actuarially determined rate. The current Educational Service District rate is 14 percent of annual covered payroll. A portion of the Educational Service District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Educational Service District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$187,655, \$207,547, and \$149,303, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 9 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The Educational Service District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$599,840, \$598,220, and \$597,527, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$8,580 made by the Educational Service District and \$12,011 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The Educational Service District's liability is 6.2 percent of wages paid.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Educational Service District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 but could be as high as \$369.10 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Educational Service District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$31,701, \$32,107, and \$90,586, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Educational Service District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$12,076, \$12,342, and \$12,319, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$65,982, \$46,017, and \$45,964, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from Board policy and State laws. Twelve month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time (up to twenty days) is paid to classified employees and administrators upon termination of employment.

Full-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 240 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

**B. Life Insurance**

The Educational Service District provides life insurance to full-time employees through Professional Risk Management.

**C. Deferred Compensation**

Educational Service District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service District’s long-term obligations during fiscal year 2011 were as follows:

	Balance Outstanding <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance Outstanding <u>June 30, 2011</u>	Amount Due Within <u>One Year</u>
Compensated Absences	\$ 412,223	\$ 105,077	\$ (127,557)	\$ 389,743	\$ 60,705

Compensated absences will be paid from the funds from which the employees’ salaries are paid, with the most significant fund being the general fund.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The Educational Service District received financial assistance from federal and State agencies in the form of grants. The expenditure 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 Educational Service District at June 30, 2011.

**B. Litigation**

The Educational Service District is currently not party to any legal proceedings.

**NOTE 14 - STATE FUNDING**

The Educational Service District is funded by the State Board of Education from State funds for the cost of Part (A) of the budget. Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM-the total number of pupils under the Educational Service District’s supervision) is apportioned by the State Board of Education from the local school districts to which the Educational Service District provides services from payments made under the State’s foundation program. Simultaneously, \$37.00 times the sum of the ADM is paid by the State Board of Education from State funds to the Educational Service District.

If additional funding is required and if a majority of the Boards of Education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of \$43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their State foundation. The State Board of Education initiates and supervises the procedure by which the participating Boards approve or disapprove the apportionment. The local school districts to which the Educational Service District provides services have agreed to pay \$8.50 per pupil to provide additional funding for services provided by the Educational Service District.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget- Positive/(Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES:</b>				
From local sources:				
Tuition	\$ -	\$ -	\$ 5,186,858	\$ 5,186,858
Charges for services	-	-	372,791	372,791
Earnings on investments	-	-	13,891	13,891
Other local revenues	-	-	136,833	136,833
Gifts and contributions	-	-	980	980
Intergovernmental	-	-	1,601,105	1,601,105
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>7,312,458</b>	<b>7,312,458</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	15,000	63,844	39,255	24,589
Special	4,740,272	4,751,551	3,321,234	1,430,317
Other	-	11,200	8,853	2,347
Support Services:				
Pupils	2,265,158	2,297,726	1,717,413	580,313
Instructional Staff	1,914,108	1,946,532	1,350,616	595,916
Board of Education	105,700	105,700	60,173	45,527
Administration	425,530	422,462	292,011	130,451
Fiscal	258,710	258,710	227,040	31,670
Operation and maintenance	181,495	186,495	110,299	76,196
Pupil transportation	-	2,500	-	2,500
Central	95,500	95,600	44,048	51,552
<b>Total Expenditures</b>	<b>10,001,473</b>	<b>10,142,320</b>	<b>7,170,942</b>	<b>2,971,378</b>
Excess of Revenues Over (Under) Expenditures	(10,001,473)	(10,142,320)	141,516	10,283,836
<b>OTHER FINANCING SOURCES AND USES:</b>				
Refund of prior year receipts	(10,000)	(10,000)	-	10,000
Refund of prior year expenditures	-	-	995	995
Transfers out	(50,000)	(50,000)	-	50,000
Sale of capital assets	-	-	1,921	1,921
<b>Total Other Financing Sources and Uses</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>2,916</b>	<b>62,916</b>
Net change in fund balance	(10,061,473)	(10,202,320)	144,432	10,346,752
Fund balance at beginning of year	3,074,089	3,074,089	3,074,089	-
Prior year encumbrances appropriated	67,079	67,079	67,079	-
<b>Fund balance (deficit) at end of year</b>	<b>\$ (6,920,305)</b>	<b>\$ (7,061,152)</b>	<b>\$ 3,285,600</b>	<b>\$ 10,346,752</b>

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
IDEA PART B FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget- Positive/(Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 1,270,360	\$ 1,270,360
Total Revenues	<u>-</u>	<u>-</u>	<u>1,270,360</u>	<u>1,270,360</u>
<b>EXPENDITURES:</b>				
Current:				
Support Services:				
Instructional Staff	1,076,944	1,294,662	1,142,407	152,255
Administration	14,188	15,215	15,050	165
Fiscal	73,218	77,669	77,669	-
Operation and Maintenance	14,650	15,541	15,541	-
Total Expenditures	<u>1,179,000</u>	<u>1,403,087</u>	<u>1,250,667</u>	<u>152,420</u>
Net Change in Fund Balance	(1,179,000)	(1,403,087)	19,693	1,422,780
Fund Balance (Deficit) at Beginning of Year	(16,615)	(16,615)	(16,615)	-
Prior Year Encumbrances Appropriated	28,740	28,740	28,740	-
Fund Balance (Deficit) at End of Year	<u>\$ (1,166,875)</u>	<u>\$ (1,390,962)</u>	<u>\$ 31,818</u>	<u>\$ 1,422,780</u>

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALTERNATIVE SCHOOLS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget- Positive/(Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 407,199	\$ 407,199
Gifts and Donations	-	-	7,000	7,000
Total Revenues	<u>-</u>	<u>-</u>	<u>414,199</u>	<u>414,199</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Special	<u>527,770</u>	<u>562,360</u>	<u>420,136</u>	<u>142,224</u>
Total Expenditures	<u>527,770</u>	<u>562,360</u>	<u>420,136</u>	<u>142,224</u>
Excess of Revenues Over (Under) Expenditures	<u>(527,770)</u>	<u>(562,360)</u>	<u>(5,937)</u>	<u>556,423</u>
Net Change in Fund Balance	(527,770)	(562,360)	(5,937)	556,423
Fund Balance (Deficit) at Beginning of Year	(56,091)	(56,091)	(56,091)	-
Fund Balance (Deficit) at End of Year	<u>\$ (583,861)</u>	<u>\$ (618,451)</u>	<u>\$ (62,028)</u>	<u>\$ 556,423</u>

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 - BUDGETARY PROCESS**

The Educational Service District is not required under State statute to file budgetary information with the State Department of Education. However, the Educational Service District's Board does follow the budgetary process for control purposes.

The Educational Service District's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary statements represent the final appropriation amounts passed by the Board during the fiscal year. The Educational Service District does not formally approve estimated resources and, therefore, no amounts are presented.

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

While the Educational Service District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedule of revenues, expenditures and changes in fund balance - budget and actual (budget basis) - for the General fund, IDEA Part B fund, and the Alternative Schools fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis); and,
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the GAAP basis for the General fund, the IDEA Part B fund and Alternative Schools fund are as follows:

	<u>General</u>	<u>IDEA Part B</u>	<u>Alternative Schools</u>
Budget basis	\$ 144,432	\$ 19,693	\$ (5,937)
Net adjustment for revenue accruals	984,776	-	30,001
Net adjustment for expenditure accruals	(907,671)	24,009	(19,351)
Net adjustment for other sources/(uses)	(999)	-	-
Adjustment for encumbrances	<u>1,825</u>	<u>51,612</u>	<u>-</u>
GAAP basis	<u>\$ 222,363</u>	<u>\$ 95,314</u>	<u>\$ 4,713</u>

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Federal CFDA		
Program Title	Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	\$ 53,053	\$ 51,105
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	24,958	25,016
Total Title I Cluster		<u>78,011</u>	<u>76,121</u>
Special Education Cluster:			
Special Education Grants to States	84.027	1,270,360	1,199,055
Special Education Preschool Grants	84.173	65,838	67,891
ARRA - Special Education Preschool Grants, Recovery Act	84.392	51,867	54,381
Total Special Education Cluster		<u>1,388,065</u>	<u>1,321,327</u>
Special Education - State Personnel Development	84.323	109,794	112,048
Improving Teacher Quality State Grants	84.367	20,000	14,287
Total U.S. Department of Education		<u>1,595,870</u>	<u>1,523,783</u>
<b>Total Federal Awards</b>		<u>\$ 1,595,870</u>	<u>\$ 1,523,783</u>

*The accompanying notes are an integral part of this schedule.*

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the Educational Service District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.



**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Ross-Pike Educational Service District  
Ross County  
475 Western Avenue, Suite E  
Chillicothe, Ohio 45601

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District, Ross County, Ohio (the Educational Service District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the Educational Service District's basic financial statements and have issued our report thereon dated December 19, 2011 wherein we noted the Educational Service District implemented GASB Statement No. 54 as disclosed in Note 3. 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 Educational Service District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Educational Service District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Educational Service District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Educational Service District's financial statements will not be prevented, or detected and timely corrected.

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
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FAX (740) 345-5635

**Compliance and Other Matters**

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

We intend this report solely for the information and use of the management, the Governing Board, and federal awarding agencies and pass-through entities, and others within the Educational Service District. We intend it for no one other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

December 19, 2011



**Independent Auditors' Report on Compliance with Requirements  
Applicable to Its Major Federal Program Internal Control over  
Compliance in Accordance with OMB Circular A-133**

Ross-Pike Educational Service District  
Ross County  
475 Western Avenue, Suite E  
Chillicothe, Ohio 45601

**Compliance**

We have audited the compliance of the Ross-Pike Educational Service District, Ross County (the Educational Service District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Educational Service District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Educational Service District's major federal programs. The Educational Service District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Educational Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Educational Service District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Educational Service District's compliance with those requirements.

In our opinion, the Ross-Pike Educational Service District, Ross County complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2011.

**Internal Control over Compliance**

The Educational Service District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Educational Service District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Educational Service District's internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management, the Governing Board, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

December 19, 2011

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505**

**JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for each major federal program?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in its internal control for each major federal program?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Program (list):</b>	<b>Special Education Cluster:</b> Special Education Grants to States \ CFDA #84.027, Special Education Preschool Grants \ CFDA #84.173, and Special Education Preschool Grants, Recovery Act \ CFDA #84.392.
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT  
ROSS COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505**

**JUNE 30, 2011**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

ROSS PIKE EDUCATIONAL SERVICE DISTRICT

ROSS 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  
JANUARY 24, 2012