

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Basic Financial Statements

Year Ended June 30, 2014

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Ross-Pike Educational Service District
475 Western Avenue, Suite E
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditors' Report* of the Ross-Pike Educational Service District, Ross County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. 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

March 9, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Ross-Pike Educational Service District:

Report on the Financial Statements

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 (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to previously 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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ross-Pike Educational Service District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133 and the budgetary comparison information on pages 47 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and budgetary comparison information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014 on our consideration of Ross-Pike 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ross-Pike Educational Service District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 16, 2014

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

The management discussion and analysis of the Ross-Pike Educational Service District's financial performance provides an overview and analysis of the Educational Service District's financial activities for the fiscal year ended June 30, 2014. 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 our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Educational Service District's financial performance.

Financial Highlights

- ▶ In total, net position of governmental activities decreased \$32,637, from \$3,512,541 to \$3,479,904 which represents a 0.93 percent decrease from 2013.
- ▶ General revenues accounted for \$683,854 or 7.68 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$8,220,123 or 92.32 percent of total revenues of \$8,903,977.
- ▶ The Educational Service District had \$8,936,614 in expenses related to governmental activities; \$8,220,123 of these expenses were offset by program specific charges for services and operating grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$683,854 along with net position from the prior year were used to provide for the remainder of these programs.
- ▶ The Educational Service District major governmental funds are the General Fund and IDEA Part B Fund. The General Fund had \$6,766,568 in revenues and \$6,852,342 in expenditures. During fiscal year 2014, the General Fund balance decreased \$85,774 from \$2,843,683 to \$2,757,909.
- ▶ The IDEA Part B Fund had \$1,130,981 in revenues and \$1,235,802 in expenditures. During fiscal year 2014, the IDEA Part B Fund balance decreased \$104,821 from \$103,344 to a deficit balance of \$1,477.

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 Ross-Pike 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 position* 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.

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 and IDEA Part B Fund are by far the most significant funds, and the only governmental funds reported as major funds.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

Reporting the Educational Service District as a Whole

Statement of Net Position 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 2014?" The statement of net position and statement of activities answer this question. These statements include all assets, liabilities, deferred outflows, deferred inflows, revenues and expenses using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes 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 position and changes in overall net position. This change in net position 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 position 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 position and statement of activities can be found on pages 12-13 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 14. 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 and IDEA Part B 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 fiscal 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.

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 position 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 14-17 of this report.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

Proprietary Funds

The Educational Service District's proprietary fund is an internal service 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 18-20 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 and liabilities on page 21. 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 22-46 of this report.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

The Educational Service District as a Whole

Recall that the statement of net position provides the perspective of the Educational Service District as a whole. Table 1 provides a summary of the Educational Service District's net position for 2014 compared to fiscal year 2013:

Table 1
Net Position at Year End

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>Assets:</u>		
Current and Other Assets	\$4,954,109	\$5,071,508
Capital Assets, Net	<u>64,391</u>	<u>91,274</u>
<i>Total Assets</i>	<u>5,018,500</u>	<u>5,162,782</u>
<u>Liabilities:</u>		
Current Liabilities	1,288,098	1,237,231
Long-Term Liabilities	<u>250,498</u>	<u>413,010</u>
<i>Total Liabilities</i>	<u>1,538,596</u>	<u>1,650,241</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	64,391	91,274
Restricted	300,128	546,274
Unrestricted	<u>3,115,385</u>	<u>2,874,993</u>
<i>Total Net Position</i>	<u>\$3,479,904</u>	<u>\$3,512,541</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Educational Service District's assets exceeded liabilities by \$3,479,904. Of this total, \$3,115,385 is unrestricted in use.

At fiscal year-end, capital assets represented 1.28% of total assets. Capital assets include furniture and equipment and educational materials. Capital assets, net of accumulated depreciation at June 30, 2014, were \$64,391. These capital assets are used to provide services to students of other school districts and are not available for future spending.

A portion of the Educational Service District's net position, \$300,128, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$3,115,385 may be used to meet the Educational Service District's ongoing obligations to the students and creditors.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2014 and comparisons to fiscal year 2013.

Table 2
Net Position at Year End

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>Revenues:</u>		
<i>Program Revenues:</i>		
Charges for Services	\$6,158,234	\$5,426,929
Operating Grants and Contributions	2,061,889	3,255,939
<i>General Revenues:</i>		
Grants and Entitlements	404,180	376,975
Investment Earnings	9,353	7,635
Miscellaneous	270,321	278,480
<i>Total Revenues</i>	<u>8,903,977</u>	<u>9,345,958</u>
<u>Expenses:</u>		
<i>Program Expenses:</i>		
Instruction:		
Regular	69,462	44,747
Special	3,359,426	3,636,858
Other	11,416	3,392
<i>Support Services:</i>		
Pupil	1,677,328	1,519,405
Instructional Staff	2,296,899	2,318,578
Board of Education	74,917	64,226
Administration	905,476	1,024,675
Fiscal	328,759	315,693
Operations and Maintenance	152,482	140,688
Central	60,449	75,113
<i>Total Expenses</i>	<u>8,936,614</u>	<u>9,143,375</u>
Change in Net Position	(32,637)	202,583
Net Position at Beginning of Year	<u>3,512,541</u>	<u>3,309,958</u>
Net Position at Year End	<u>3,479,904</u>	<u>3,512,541</u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

Governmental Activities

Net Position of the Educational Service District's governmental activities decreased \$32,637. Total governmental expenses of \$8,936,614 were offset by program revenues of \$8,220,123 and general revenues of \$683,854. Program revenues supported 91.98% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services. This revenue source represents 69.16% of total governmental revenue. The largest expense of the Educational Service District is for support services programs. Support services expenses totaled \$5,496,310 or 61.50% of total governmental expenses for fiscal year 2014.

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 2014 and 2013. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
<i>Program Expenses:</i>				
<i>Instruction:</i>				
Regular	\$69,462	\$69,462	\$44,747	(\$2,635)
Special	3,359,426	521,737	3,636,858	(978,634)
Other	11,416	11,416	3,392	(200)
<i>Support Services:</i>				
Pupil	1,677,328	437,113	1,519,405	(12,659)
Instructional Staff	2,296,899	(678,373)	2,318,578	1,140,022
Board of Education	74,917	74,917	64,226	(3,782)
Administration	905,476	197,897	1,024,675	231,477
Fiscal	328,759	(1,077)	315,693	76,039
Operations and Maintenance	152,482	22,950	140,688	15,302
Central	60,449	60,449	75,113	(4,423)
Total Expenses	<u>\$8,936,614</u>	<u>\$716,491</u>	<u>\$9,143,375</u>	<u>\$460,507</u>

For all governmental activities, program revenue support is 91.98% and 94.96% at June 30, 2014 and 2013 respectively, of total governmental activities expenses. The Educational Service District's charges for services and operating grants and contributions, as a whole, are by far the primary support for Educational Service District's programs and services provided.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

Fund Balances

The Educational Service District's governmental funds reported a combined fund balance of \$2,779,069 which is less than the previous fiscal year's fund balance of \$3,011,882. The schedule below indicates the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance/(Deficit) June 30, 2014	Fund Balance/(Deficit) June 30, 2013	Increase (Decrease)	Increase (Decrease)
General	\$2,757,909	\$2,843,683	(\$85,774)	(3.02%)
IDEA Part B	(1,477)	103,344	(104,821)	(101.43%)
Other Governmental	22,637	64,855	(42,218)	(65.10%)
Total	<u>\$2,779,069</u>	<u>\$3,011,882</u>	<u>(\$232,813)</u>	<u>(7.73%)</u>

General Fund

The Educational Service District's General fund balances decreased \$85,774.

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

	2014 Amount	2013 Amount	Increase (Decrease)	Increase (Decrease)
Revenues:				
Tuition	\$5,452,926	\$4,684,009	\$768,917	16.42%
Charges for Services	258,785	331,271	(72,486)	(21.88%)
Earnings on Investments	11,218	7,635	3,583	46.93%
Intergovernmental	817,613	1,503,028	(685,415)	(45.60%)
All Other Revenues	226,026	160,747	65,279	40.61%
Total	<u>\$6,766,568</u>	<u>\$6,686,690</u>	<u>\$79,878</u>	<u>1.19%</u>
Expenditures:				
Instruction	\$3,168,784	\$3,270,418	(\$101,634)	(3.11%)
Support Services	3,683,558	3,405,705	277,853	8.16%
Total	<u>\$6,852,342</u>	<u>\$6,676,123</u>	<u>\$176,219</u>	<u>2.64%</u>

Revenues of the General Fund increased \$79,878 or 1.19%. Tuition revenues increased \$768,917 or 16.42%. This increase is primarily due to excess costs charged to schools.

Expenditures of the General Fund increased \$176,219 or 2.64%. Support Services increases of \$277,853 or 8.16% were due to more staffing at the Educational Service District based on more need by partnering districts.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

IDEA Part B Fund

The IDEA Part B fund had \$1,130,981 in revenues and \$1,235,802 in expenditures. During fiscal year 2014, the IDEA Part B fund balance decreased \$104,821 from \$103,344 to a deficit balance of \$1,477.

Capital Assets

At the June 30, 2014, the Educational Service District had \$64,391 invested in furniture and equipment and educational media. This entire amount is reported in governmental activities. The following table shows June 30, 2014 balances compared to June 30, 2013.

Table 4
Capital Assets at Year End

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<i>Depreciable Capital Assets:</i>		
Furniture and Equipment	<u>\$64,391</u>	<u>\$91,274</u>
Capital Assets, Net	<u><u>\$64,391</u></u>	<u><u>\$91,274</u></u>

The overall decrease in capital assets of \$26,883 is due to capital asset disposals and current year depreciation exceeding additions during fiscal year 2014. See Note 7 to the basic financial statements for additional information on the Educational Service District's capital assets.

Current Financial Related Activities

The Educational Service District 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 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

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Investments	\$4,122,207
Cash with Fiscal Agents	203,571
Accounts Receivable	5,205
Intergovernmental Receivable	621,494
Accrued Interest Receivable	1,632
Depreciable Capital Assets, Net	<u>64,391</u>
<i>Total Assets</i>	<u>5,018,500</u>
<u>Liabilities:</u>	
Accounts Payable	3,664
Accrued Wages and Benefits	932,756
Intergovernmental Payable	216,652
Matured Compensated Absences Payable	15,026
Claims Payable	120,000
Long-Term Liabilities:	
Due within One Year	41,732
Due in More Than One Year	<u>208,766</u>
<i>Total Liabilities</i>	<u>1,538,596</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	64,391
Restricted for:	
Professional Development	81,618
Title VI-B Program	133,314
Other Purposes	85,196
Unrestricted	<u>3,115,385</u>
<i>Total Net Position</i>	<u><u>\$3,479,904</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$69,462	\$0	\$0	(\$69,462)
Special	3,359,426	2,501,456	336,233	(521,737)
Other	11,416	0	0	(11,416)
<i>Support Services:</i>				
Pupils	1,677,328	1,110,855	129,360	(437,113)
Instructional Staff	2,296,899	1,544,579	1,430,693	678,373
Board of Education	74,917	0	0	(74,917)
Administration	905,476	682,629	24,950	(197,897)
Fiscal	328,759	217,729	112,107	1,077
Operation and Maintenance of Plant	152,482	100,986	28,546	(22,950)
Central	60,449	0	0	(60,449)
<i>Total Governmental Activities</i>	<u>\$8,936,614</u>	<u>\$6,158,234</u>	<u>\$2,061,889</u>	<u>(716,491)</u>
 <u>General Revenues:</u>				
Grants and Entitlements not Restricted to Specific Programs				404,180
Investment Earnings				9,353
Miscellaneous				270,321
<i>Total General Revenues</i>				<u>683,854</u>
Change in Net Position				(32,637)
<i>Net Position at Beginning of Year</i>				<u>3,512,541</u>
<i>Net Position at End of Year</i>				<u>\$3,479,904</u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2014*

	General	IDEA Part B	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,666,865	\$0	\$69,861	\$3,736,726
Accounts Receivable	1,280	0	3,925	5,205
Intergovernmental Receivable	158,631	267,330	195,533	621,494
Accrued Interest Receivable	1,632	0	0	1,632
Interfund Receivable	102,388	0	0	102,388
<i>Total Assets</i>	<u>\$3,930,796</u>	<u>\$267,330</u>	<u>\$269,319</u>	<u>\$4,467,445</u>
<u>Liabilities:</u>				
Accounts Payable	\$3,013	\$239	\$412	\$3,664
Accrued Wages and Benefits	805,747	65,098	61,911	932,756
Intergovernmental Payable	190,650	16,057	9,945	216,652
Matured Compensated Absences Payable	15,026	0	0	15,026
Interfund Payable	0	23,506	78,882	102,388
<i>Total Liabilities</i>	<u>1,014,436</u>	<u>104,900</u>	<u>151,150</u>	<u>1,270,486</u>
<u>Deferred Inflows of Resources:</u>				
Unavailable Revenue	158,451	163,907	95,532	417,890
<u>Fund Balances:</u>				
Restricted	0	0	86,605	86,605
Committed	21,153	0	0	21,153
Assigned	27,795	0	0	27,795
Unassigned	2,708,961	(1,477)	(63,968)	2,643,516
<i>Total Fund Balances</i>	<u>2,757,909</u>	<u>(1,477)</u>	<u>22,637</u>	<u>2,779,069</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$3,930,796</u>	<u>\$267,330</u>	<u>\$269,319</u>	<u>\$4,467,445</u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014*

Total Governmental Funds Balances	\$2,779,069
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	64,391
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Intergovernmental Receivable	416,258
Accrued Interest Receivable	<u>1,632</u>
Total	417,890
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(250,498)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>469,052</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$3,479,904</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	IDEA Part B	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Intergovernmental	\$817,613	\$1,130,981	\$484,489	\$2,433,083
Tuition	5,452,926	0	308,621	5,761,547
Charges for Services	258,785	0	89,315	348,100
Interest	11,218	0	0	11,218
Gifts and Contributions	1,311	0	375	1,686
Miscellaneous	224,715	0	45,606	270,321
<i>Total Revenues</i>	<u>6,766,568</u>	<u>1,130,981</u>	<u>928,406</u>	<u>8,825,955</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	69,689	0	0	69,689
Special	3,087,679	0	306,262	3,393,941
Other	11,416	0	0	11,416
<i>Support Services:</i>				
Pupils	1,613,606	0	111,770	1,725,376
Instructional Staff	834,018	1,106,159	393,682	2,333,859
Board of Education	74,963	0	0	74,963
Administration	755,004	21,183	131,932	908,119
Fiscal	218,819	85,901	23,754	328,474
Operation and Maintenance of Plant	126,699	22,559	3,224	152,482
Central	60,449	0	0	60,449
<i>Total Expenditures</i>	<u>6,852,342</u>	<u>1,235,802</u>	<u>970,624</u>	<u>9,058,768</u>
<i>Net Change in Fund Balances</i>	(85,774)	(104,821)	(42,218)	(232,813)
<i>Fund Balances at Beginning of Year</i>	<u>2,843,683</u>	<u>103,344</u>	<u>64,855</u>	<u>3,011,882</u>
<i>Fund Balances at End of Year</i>	<u>\$2,757,909</u>	<u>(\$1,477)</u>	<u>\$22,637</u>	<u>\$2,779,069</u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
*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, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$232,813)

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 cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	12,065	
Current Year Depreciation	(34,079)	
	(22,014)	
Total		(22,014)

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. (4,869)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 78,022

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. 139,298

The internal service funds used by management to charge the cost 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. 9,739

Change in Net Position of Governmental Activities **(\$32,637)**

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Fund Net Position

Proprietary Fund

June 30, 2014

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$385,481
Cash with Fiscal Agents	<u>203,571</u>
<i>Total Assets</i>	<u>589,052</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>120,000</u>
<i>Total Liabilities</i>	<u>120,000</u>
<u>Net Position:</u>	
Unrestricted	<u>469,052</u>
<i>Total Net Position</i>	<u><u>\$469,052</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activities
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$1,344,747
<i>Total Operating Revenues</i>	\$1,344,747
<u>Operating Expenses:</u>	
Purchased Services	76,301
Claims	1,258,707
<i>Total Operating Expenses</i>	1,335,008
<i>Operating Income/Change in Net Position</i>	9,739
<i>Net Position at Beginning of Year</i>	459,313
<i>Net Position at End of Year</i>	\$469,052

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2014

Governmental
Activities

Internal
Service

Cash Flows from Operating Activities:

Cash Received from other Operations	\$1,344,747
Cash Payments for Purchased Services	(76,301)
Cash Payments for Claims	(1,286,926)

Net Cash from Operating Activities (18,480)

Net Decrease in Cash and Cash Equivalents (18,480)

Cash and Cash Equivalents at Beginning of Year 607,532

Cash and Cash Equivalents at End of Year \$589,052

**Reconciliation of Operating Income
to Net Cash from Operating Activities:**

Operating Income	\$9,739
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Changes in Liabilities:

Decrease in Claims Payable	(28,219)
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Net Cash from Operating Activities (\$18,480)

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

Agency

Assets:

Equity in Pooled Cash and Investments

\$21,282

Total Assets

\$21,282

Liabilities:

Undistributed Monies

\$21,282

Total Liabilities

\$21,282

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE DISTRICT AND REPORTING ENTITY

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 District and the former Pike County Educational Service District. 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, Southeastern, Huntington, Western, Eastern, Scioto Valley (Pike) and Paint Valley Local School Districts and the Waverly City School District. 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 80 support staff employees and 76 certified teaching personnel that provides services to the local and city school districts and the career technology Districts.

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 more significant of the Educational Service District's 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*” and GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus.*” The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service District consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service District. For Ross-Pike Educational Service District, this includes general operations and student related activities.

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. The Educational Service District has no component units.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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 \$21,050 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School Center, Tonya Cooper, who serves as Treasurer, at PO Box 577, 175 Beavercreek 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 2014, the Educational Service District paid \$879 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.

Public Entity Risk Pools

Workers' Compensation Group Rating Program

The Educational Service District participates in a Workers' Compensation Group Rating Program (GRP) administered by Sheakley 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-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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 plan which 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 Avenue, Chillicothe, Ohio 45601.

B. Basis of Presentation

The Educational Service District’s basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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 distinguish between those activities of the Educational Service District that are governmental and those that are considered business-type activities. The Educational Service District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Educational Service District at 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Educational Service District.

Fund Financial Statements

During the year, the Educational Service District segregates transactions related to certain 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 governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented on the face of the proprietary statements. Fiduciary funds are reported by type.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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 self-balancing set of accounts. The funds of the Educational Service District can be classified using three categories: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Educational Service District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes 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, liabilities and deferred inflows is reported as fund balance.

The following are the Educational Service District's major governmental funds:

General Fund - This fund is the operating fund of the Educational Service District and is used to account for 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 general laws of Ohio.

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

Proprietary Fund

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.

The Internal Service Fund – This 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 position and changes in net position. 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. The Educational Service District's agency funds account for virtual learning programs and a district agency fund.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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 liabilities associated with the operation of the Educational Service District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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, current liabilities and deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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.

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 position. The statement of changes in fund net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total position. 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, proprietary fund and fiduciary fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, 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 are collectible 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 fiscal year-end.

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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 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, the following revenue sources are considered to be both measurable and available at the fiscal year-end: grants, interest, contractual service fees and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position and/or balance sheet reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Educational Service District, deferred inflows of resources include unavailable revenue and are reported only on the governmental funds balance sheet and represent receivables which will not be collected within the available period. For the Educational Service District, unavailable revenue includes intergovernmental grants and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on 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 the 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.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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 and the IDEA Part B 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 is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Educational Service District 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 services pool that pays employee health insurance claims on the Educational Service Districts' 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, 2014 is presented as "cash with fiscal agent" on the financial statements.

During fiscal year 2014, investments were limited to federal agency securities, U.S. Treasury notes, U.S. Government money market account and certificates of deposit. 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.

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 2014 amounted to \$11,218, which includes \$1,835 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. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position 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 retirements 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 five hundred dollars. The Educational Service District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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:

Description	Estimated Lives
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.

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 “matured compensated absences payable” in the fund from which the employees who have accumulated unpaid leave will be paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-Term Liabilities

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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 “Interfund payables and receivables”. These amounts are eliminated in the governmental-type activities columns on the statement of net position.

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.

M. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

N. Fund Balance Reserves

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 as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation (Educational Service District resolutions); or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Enabling legislation authorized 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.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education – the Educational Service District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the Educational Service District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this 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.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Educational Service District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the Educational Service District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

O. Estimates

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

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 did not report non-operating revenues or expenses for fiscal year 2014.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 3 – ACCOUNTABILITY

Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
IDEA Part B	\$1,477
<u>Nonmajor Funds</u>	
Alternative Schools	46,096
Preschool Expansion Grant	4,875
Alternative Challenge Grant	540
Miscellaneous State Grants	5,396
Title I	2,020
Miscellaneous Federal Grants	5,041

The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrual liabilities.

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 Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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;

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above, provided that the fair 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 fair value 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 division (1) or (2) of this section, 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 (STAROhio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating 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, 2014 was \$203,571 and is included in the "Deposits with Financial Institutions" below.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all Educational Service District deposits was \$1,850,433. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,228,785 of the Educational Service District's bank balance of \$2,034,579 was exposed to custodial credit risk as discussed below, while \$805,794 was covered by the FDIC.

Deposits: Custodial credit risk is the risk that, in the event of a 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 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.

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, 2014, the Educational Service District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater than 24 Months</u>
FHLB	\$1,020,014	\$170,007	\$250,025	\$0	\$400,026	\$199,956
FFCB	500,290	0	0	500,290	0	0
FNMA	249,615	0	0	0	0	249,615
U.S. Treasury Note	470,543	0	0	230,198	240,345	0
U.S. Government money market	256,165	256,165	0	0	0	0
Total	<u>\$2,496,627</u>	<u>\$426,172</u>	<u>\$250,025</u>	<u>\$730,488</u>	<u>\$640,371</u>	<u>\$449,571</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 investment policy does not address credit risk. Standard and Poor's has assigned the Federal Home Loan Bank Bonds, Federal Farm Credit Bank Discount Notes, Federal National Mortgage Association a rating of "AA+".

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the Educational Service District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Educational Service District policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the Educational Service District or not.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$1,020,014	40.84%
FFCB	500,290	20.03%
FNMA	249,615	9.99%
U.S. Treasury Note	470,543	18.84%
U.S. Government money market	256,165	10.30%
Total	<u>\$2,496,627</u>	<u>100%</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position:

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 position as of June 30, 2014:

Cash and Investments - Note 4	
Carrying amounts of deposits	\$1,645,837
Investments	2,497,627
Cash with fiscal agent	203,571
Cash on hand	25
Total	<u>\$4,347,060</u>

Cash and Investments - Statement of Net Position	
Governmental Activities	4,325,778
Agency Funds	21,282
Total	<u>\$4,347,060</u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 5 – INTERFUND TRANSACTIONS

Interfund receivables and payables consisted of the following at June 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	IDEA Part B	\$23,506
General Fund	Other Governmental	<u>78,882</u>
Total		<u><u>\$102,388</u></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, 2014 consist of intergovernmental and accrued interest. All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental Activities:	
Intergovernmental	\$621,494
Accrued Interest	<u>1,632</u>
Total	<u><u>\$623,126</u></u>

All receivables are expected to be collected within the subsequent year.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 7 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Governmental Activities:				
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$459,649	\$12,065	(\$64,067)	\$407,647
Educational media	861	0	0	861
<i>Total Capital Assets, being depreciated</i>	<u>460,510</u>	<u>12,065</u>	<u>(64,067)</u>	<u>408,508</u>
 <i>Less: Accumulated Depreciation:</i>				
Furniture and Equipment	(368,375)	(34,079)	59,198	(343,256)
Educational media	(861)	0	0	(861)
Total Accumulated Depreciation	<u>(369,236)</u>	<u>(34,079)</u>	<u>59,198</u>	<u>(344,117)</u>
Depreciable Capital Assets, Net	<u>91,274</u>	<u>(22,014)</u>	<u>(4,869)</u>	<u>64,391</u>
Governmental Activities Capital Assets, Net	<u><u>\$91,274</u></u>	<u><u>(\$22,014)</u></u>	<u><u>(\$4,869)</u></u>	<u><u>\$64,391</u></u>

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Special	\$5,732
<i>Support Services:</i>	
Pupil	2,944
Instructional Staff	12,380
Administration	13,023
Total Depreciation Expense	<u><u>\$34,079</u></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 2014, the Educational Service District contracted through the Ohio School Plan for property insurance. Coverage's provided are as follows:

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 8 - RISK MANAGEMENT - (Continued)

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 \$1.5 million effective July 1, 2011. Effective July 1, 2012, the plan’s annual loss aggregate under this property treaty is \$1.75 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.

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 net assets at December 31, 2012 and 2013 (the latest information available):

	<u>2012</u>	<u>2013</u>
Assets	\$5,351,369	\$6,841,599
Liabilities	<u>(2,734,952)</u>	<u>(4,052,930)</u>
Net Assets	<u><u>\$2,616,417</u></u>	<u><u>\$2,788,669</u></u>

You can read the complete audited financial statements for the Ohio School Plan at the Plan’s website, www.ohioschoolplan.org.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 8 - RISK MANAGEMENT - (Continued)

C. OASBO Workers' Compensation Group Rating Plan

For fiscal year 2014, the Educational Service District participated in the Ohio School Boards Association Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2 A). 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 districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. 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 the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Inc. provides administrative, cost control and actuarial services to the GRP.

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 services 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 \$120,000 reported in the internal service fund at June 30, 2014 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>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2013	\$140,479	\$1,187,344	(\$1,179,604)	\$148,219
2014	148,219	1,258,707	(1,286,926)	120,000

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The Educational Service District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 9 - DEFINED BENEFIT PENSION PLANS- (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System.

For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.1 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Educational Service District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$223,686, \$208,238, and \$197,228, respectively; which equaled the required contributions each year.

State Teachers Retirement System

The Educational Service District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 9 - DEFINED BENEFIT PENSION PLANS- (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money amount various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for re-employment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A re-employed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to healthcare coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 9 - DEFINED BENEFIT PENSION PLANS- (Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The Educational Service District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$575,216, \$445,699 and \$586,924, respectively; 84.59 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2013 Comprehensive Annual Financial Report are available.

Additional information or copies of STRS Ohio's 2013 Comprehensive Annual Financial Report can be requested by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7787, or by visiting the STRS Ohio Web site at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, certain members of the Educational Service District's Board have elected Social Security. The Educational Service District's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of the SERS' health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For 2014, this actuarially required allocation is 0.76 percent. The Educational Service District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$12,142, \$11,648 and \$11,647, respectively; which equaled the required contributions each year.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An addition 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service District's contributions assigned to health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$27,763, \$30,081 and \$32,332, respectively.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – State Teachers Retirement System of Ohio (STRS Ohio) administers a pension plan that is comprised of: a Defined Benefits Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefits Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. The Educational Service District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$44,247, \$34,285 and \$45,148 respectively; 84.59 percent for the fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 11 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from the Educational Service District's 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.

Life insurance

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

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.

NOTE 12 - LONG-TERM LIABILITIES

The changes in the Educational Service District's long-term liabilities during fiscal year 2014 were as follows:

	<u>Outstanding at July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding at June 30, 2014</u>	<u>Amount Due In One Year</u>
<u>Governmental Activities:</u>					
Compensated Absences Payable	<u>\$413,010</u>	<u>\$142,357</u>	<u>(\$304,869)</u>	<u>\$250,498</u>	<u>\$41,732</u>
Total Governmental Activities Long-Term Liabilities	<u>\$413,010</u>	<u>\$142,357</u>	<u>(\$304,869)</u>	<u>\$250,498</u>	<u>\$41,732</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid, with the most significant fund being the General Fund.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 13 - CONTINGENCIES

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 of conditions specified in the grant agreements and is 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, 2014.

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.

NOTE 15 - OTHER COMMITMENTS

The Educational Service District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At June 30, 2014, the Educational Service District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>June 30, 2014 Commitments</u>
General	\$27,795
IDEA Part B	56,812
Other Governmental Funds	47,405
Total	<u><u>\$132,012</u></u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 16 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>IDEA Part B</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Restricted:</i>				
<i>Special Revenues:</i>				
Professional Development Grant	0	0	81,618	81,618
Federal Grants	0	0	4,987	4,987
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>86,605</u>	<u>86,605</u>
<i>Committed:</i>				
Termination Benefits	21,153	0	0	21,153
<i>Assigned:</i>				
<i>Encumbrances:</i>				
Special	13,405	0	0	13,405
Other	2,527	0	0	2,527
Pupils	200	0	0	200
Board of Education	100	0	0	100
Administration	1,318	0	0	1,318
Fiscal	36	0	0	36
Operation Maintenance of Plant	10,209	0	0	10,209
<i>Total Assigned</i>	<u>27,795</u>	<u>0</u>	<u>0</u>	<u>27,795</u>
<i>Unassigned</i>	<u>2,708,961</u>	<u>(1,477)</u>	<u>(63,968)</u>	<u>2,643,516</u>
Total Fund Balances	<u><u>\$2,757,909</u></u>	<u><u>(\$1,477)</u></u>	<u><u>\$22,637</u></u>	<u><u>\$2,779,069</u></u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental			\$817,613	
Interest			9,586	
Tuition and Fees			5,452,928	
Gifts and Donations			1,311	
Charges for Services			259,385	
Miscellaneous			<u>182,217</u>	
<i>Total Revenues</i>			<u>6,723,040</u>	
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	58,430	96,630	64,051	32,579
Special	3,897,066	3,832,566	3,451,687	380,879
Other	13,000	13,000	11,778	1,222
<i>Support Services:</i>				
Pupils	1,612,950	1,675,250	1,404,839	270,411
Instructional Staff	880,743	887,743	738,548	149,195
Board of Education	97,000	97,000	75,063	21,937
Administration	792,220	828,220	659,618	168,602
Fiscal	220,850	220,850	203,762	17,088
Operation and Maintenance of Plant	136,000	153,000	136,908	16,092
Central	<u>85,100</u>	<u>78,100</u>	<u>60,449</u>	<u>17,651</u>
<i>Total Expenditures</i>	<u>7,793,359</u>	<u>7,882,359</u>	<u>6,806,703</u>	<u>1,075,656</u>
<i>Excess of Revenues Over (Under) Expenditures</i>			(83,663)	
<u>Other Financing Uses:</u>				
Other Financing Uses	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>	<u>20,000</u>
<i>Total Other Financing Uses</i>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>	<u>20,000</u>
Net Change in Fund Balances			(83,663)	
<i>Fund Balance at Beginning of Year</i>			3,785,863	
<i>Prior Year Encumbrances Appropriated</i>			<u>5,479</u>	
<i>Fund Balance at End of Year</i>			<u><u>\$3,707,679</u></u>	

See accompanying notes to the supplementary information.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
IDEA Part B Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental			\$1,144,333	
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Support Services:</i>				
Instructional Staff	68,678	1,338,290	1,139,076	199,214
Administration	0	21,666	21,183	483
Fiscal	0	85,901	85,901	0
Operation and Maintenance of Plant	0	25,500	22,559	2,941
<i>Total Expenditures</i>	<u>68,678</u>	<u>1,471,357</u>	<u>1,268,719</u>	<u>202,638</u>
<i>Excess of Revenues Over (Under) Expenditures</i>			(124,386)	
<u>Other Financing Uses:</u>				
Transfers Out	0	(19,361)	0	19,361
<i>Total Other Financing Uses</i>	<u>0</u>	<u>(19,361)</u>	<u>0</u>	<u>19,361</u>
Net Change in Fund Balances			(124,386)	
<i>Fund Balance at Beginning of Year</i>			(24,610)	
<i>Prior Year Encumbrances Appropriated</i>			<u>68,678</u>	
<i>Fund Balance at End of Year</i>			<u><u>(\$80,318)</u></u>	

See accompanying notes to the supplementary information.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Supplementary Information
For the Fiscal Year Ended June 30, 2014*

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

The Educational Service District is no longer 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. This is done by adopting an annual appropriation resolution which is the Board’s authorization to spend resources. The resolution 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. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. .

Budgetary Basis of Accounting

The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the general fund and the IDEA Part B special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

	Net Change in Fund Balance	
	General	IDEA Part B
Budget Basis	(\$83,663)	(\$124,386)
<i>Adjustments:</i>		
Revenue Accruals	160,941	(13,352)
Expenditure Accruals	(24,252)	(23,895)
Encumbrances	27,795	56,812
<i>Prospective Difference:</i>		
Activity of Funds Reclassified for GAAP Reporting Purposes	(8,144)	0
GAAP Basis	<u>\$72,677</u>	<u>(\$104,821)</u>

Ross-Pike Educational Service District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
U.S. Department of Education:				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	572-9213	84.010	\$ 2,522	2,886
Title I Grants to Local Educational Agencies	572-9214	84.010	47,273	45,105
			<u>49,795</u>	<u>47,991</u>
Special Education Cluster:				
Special Education - Grants to States	516-9213	84.027	-	32,668
Special Education - Resource Material Grant	516-9313	84.027	8,983	-
Special Education - Grants to States	516-9214	84.027	1,136,370	1,179,237
Special Education - Preschool Grants	587-9213	84.173	8,171	2,886
Speical Education - Early Learning Grant	587-9313	84.173	981	803
Special Education - Preschool Grants	587-9214	84.173	47,075	46,210
Special Education - Early Learning Grant	587-9314	84.173	36,591	39,873
Special Education Cluster Total			<u>1,238,171</u>	<u>1,301,677</u>
ARRA - Race to the Top Incentive Grants	506-9214	84.395	20,404	20,404
Ohio Resident Educator Grant	590-9213	84.323	617	-
Special Education - State Personnel Development	599-9213	84.323	6,390	5,448
Special Education - State Personnel Development	599-9214	84.323	70,548	75,589
			<u>77,555</u>	<u>81,037</u>
Total U.S. Department of Education			<u>1,385,925</u>	<u>1,451,109</u>
Total Federal Awards			\$ <u>1,385,925</u>	<u>1,451,109</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**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**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Ross-Pike Educational Service District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District ("District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 16, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Ross-Pike Educational Service District:

Report on Compliance for Each Major Federal Program

We have audited Ross-Pike Educational Service District's ("District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 16, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued :	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
<i>Special Education Cluster:</i>	
<i>CFDA 84.027 – Special Education-Grants to States</i>	
<i>CFDA 84.173 – Special Education-Preschool Grants</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Schedule of Prior Audit Findings

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
MARCH 19, 2015**