



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

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District, Ross County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District, Ross County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual (Non-GAAP Budgetary Basis) provides additional information and is not a required part of the basic financial statements. We subjected the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual (Non-GAAP Budgetary Basis) to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

February 6, 2008

**Ross-Pike Educational Service District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

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The discussion and analysis of the Ross-Pike Educational Service District's financial performance provides an overall review of the Service District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Service District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Service District's financial performance.

**FINANCIAL HIGHLIGHTS**

**Key financial highlights for the fiscal year 2006 are as follows:**

- Net assets of governmental activities decreased \$83,920 or 2.18%.
- General revenues accounted for \$1,284,057 in revenue or 20.3% of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$5,034,404 or 79.7% of total revenues of \$6,318,461.
- The Service District had \$6,402,381 in expenses related to governmental activities; \$5,034,404 of these expenses were offset by program specific charges for services, and operating grants and contributions.
- The Service District has one major fund; the General fund. The General fund had \$5,872,844 in revenues and other sources and \$5,726,026 in expenditures and other financing uses. The General Fund's balance increased \$146,818.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 and conditions.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Service District, presenting both an aggregate view of the 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 Service District's major fund with all other non-major funds presented in total in one column.

***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the number of funds used by the Service District to provide programs and activities for students, the view of the Service District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting 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 Service District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Service District as a whole, the financial position of the 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 Service District's required educational programs and other factors.

## **Ross-Pike Educational Service District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

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- In the Statement of Net Assets and the Statement of Activities, all of the Service District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities.

### ***Reporting the School District's Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the Service District's major fund begins on page 7. Fund financial reports provide detailed information about the Service District's major fund. The Service District uses a number of funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Service District's most significant funds. The Service District's major governmental fund is the General Fund.

***Governmental Funds*** Most of the 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 statements provide a detailed short-term view of the Service District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

#### ***Proprietary Fund***

The Service District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the Service District reports it as a proprietary fund using the full accrual basis of accounting. Since the internal fund exclusively benefits governmental functions, it has been included with governmental activities in the government-wide financial statements.

#### ***Fiduciary Funds***

The Service District's fiduciary fund is an agency fund. All of the Service District's fiduciary funds are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Service District's other financial statements because the Service District cannot use these assets to finance its operations. The Service District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.



**Ross-Pike Educational Service District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

**THE SERVICE DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the Service District as a whole. Table 1 provides a summary of the Service District's net assets for 2006 compared to 2005.

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current and Other Assets	\$ 4,553,453	\$ 4,497,019
Capital Assets	102,526	122,695
Total Assets	<u>4,655,979</u>	<u>4,619,714</u>
<b>Liabilities</b>		
Current and Other Liabilities	795,894	662,576
Long-term Liabilities	101,555	114,688
Total Liabilities	<u>897,449</u>	<u>777,264</u>
<b>Net Assets</b>		
Invested in Capital Assets	102,526	122,695
Restricted	191,391	619,535
Unrestricted	3,464,613	3,100,220
Total Net Assets	<u><u>\$ 3,758,530</u></u>	<u><u>\$ 3,842,450</u></u>

Total net assets of the District as a whole decreased \$83,920. This decrease was primarily a result of an increase in liabilities for intergovernmental payable and claims payable from fiscal year 2005 to fiscal year 2006.

**Ross-Pike Educational Service District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006 as compared to 2005. This table uses the full accrual method of accounting.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2006	2005
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$ 3,569,142	\$ 3,785,899
Operating Grants and Contributions	1,465,262	1,394,995
Total Program Revenues	<u>5,034,404</u>	<u>5,180,894</u>
General Revenues		
Grants and Entitlements	1,026,458	1,182,320
Gifts and Donations, Not Restricted to Specific Programs	500	-
Investment Earnings	132,971	65,135
Miscellaneous	124,128	16,060
Total General Revenues	<u>1,284,057</u>	<u>1,263,515</u>
Total Revenues	<u>6,318,461</u>	<u>6,444,409</u>
<b>Program Expenses</b>		
Instruction:		
Regular	87,492	89,270
Special	2,118,527	1,928,811
Other	8,043	7,492
Support Services:		
Pupils	1,671,309	1,653,423
Instructional Staff	1,834,817	1,619,839
Board of Education	69,192	51,934
Administration	352,528	305,255
Fiscal	159,599	138,752
Operation and Maintenance of Plant	51,998	39,345
Central	42,796	37,279
Extracurricular Activities	6,080	3,952
Total Expenses	<u>6,402,381</u>	<u>5,875,352</u>
Increase/(Decrease) in Net Assets	(83,920)	569,057
Net Assets, Beginning of Year	3,842,450	3,273,393
Net Assets, End of Year	<u>\$ 3,758,530</u>	<u>\$ 3,842,450</u>

Charges for services and sales decreased \$216,757 from fiscal year 2005 to fiscal year 2006. This decrease was due in part to a decrease in the number of students served by the Educational Service District. This decrease was also partially offset by increases in operating grants and contributions, investment earnings and miscellaneous revenue.

Total expenses increased \$527,029 from fiscal year 2005 to fiscal year 2006 due primarily to increased expenses for special instruction and instructional staff.

**Ross-Pike Educational Service District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

The Statement of Activities shows the cost of program services and the charges for services, grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program Expenses				
Instruction:				
Regular	\$87,492	\$35,636	\$89,270	\$28,583
Special	2,118,527	(175,552)	1,928,811	(448,801)
Other	8,043	4,586	7,492	3,922
Support Services:				
Pupils	1,671,309	628,303	1,653,423	503,752
Instructional Staff	1,834,817	619,891	1,619,839	427,679
Board of Education	69,192	27,708	51,934	16,236
Administration	352,528	132,166	305,255	100,485
Fiscal	159,599	59,363	138,752	43,876
Operation and Maintenance of Plant	51,998	24,342	39,345	12,972
Central	42,796	9,558	37,279	3,217
Extracurricular Activities	6,080	1,976	3,952	2,537
Total	<u>\$6,402,381</u>	<u>\$1,367,977</u>	<u>\$5,875,352</u>	<u>\$694,458</u>

**THE SERVICE DISTRICT FUNDS**

The Service District reports only one major fund, the General fund. The General fund and all governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$6,584,302 and expenditures and other financing uses of \$6,480,987. The Service District remains financially stable in terms of healthy carryovers and our ability to pay bills.

The largest change in fund balance was in the General Fund. The fund balance increased \$146,818 primarily due to an increase in intergovernmental revenues.

**Ross-Pike Educational Service District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2006, the Educational Service District had \$102,526 invested in furniture and equipment and educational media. For additional information on capital assets, see Note 7 to the basic financial statements. Table 4 shows fiscal year 2006 balances compared to 2005.

Table 4  
Capital Assets  
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Buildings and Improvements	\$ -	\$ 2,896
Furniture and Equipment	<u>102,526</u>	<u>119,799</u>
Totals	<u><u>\$ 102,526</u></u>	<u><u>\$ 122,695</u></u>

Changes in capital assets from the prior year resulted from additions, disposals and depreciation.

**Debt**

At June 30, 2006, the Educational Service District did not have any outstanding debt obligations. See Note 12 to the basic financial statements for more detailed information related to other long-term obligations.

**CONTACTING THE EDUCATIONAL SERVICE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, 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 any questions about this report or need additional financial information, contact Erin Kirby, Treasurer at Ross-Pike Educational Service District, 475 Western Avenue, Chillicothe, Ohio 45601.

**Ross-Pike Educational Service District**  
*Statement of Net Assets*  
*June 30, 2006*

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash and cash equivalents	\$ 3,389,748
Cash and cash equivalents with fiscal agents	304,794
Intergovernmental receivable	858,911
Depreciable capital assets, net	102,526
<i>Total Assets</i>	<i>4,655,979</i>
<b>Liabilities</b>	
Accounts payable	14,700
Accrued wages	481,958
Intergovernmental payable	192,061
Claims payable	107,175
Long-Term Liabilities:	
Due within one year	6,698
Due in more than one year	94,857
<i>Total Liabilities</i>	<i>897,449</i>
<b>Net Assets</b>	
Invested in capital assets	102,526
Restricted for:	
Other purposes	191,391
Unrestricted	3,464,613
<i>Total Net Assets</i>	<i>\$ 3,758,530</i>

See accompanying notes to the basic financial statements.

**Ross-Pike Educational Service District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 87,492	\$ 51,856	\$ -	\$ (35,636)
Special	2,118,527	1,233,748	1,060,331	175,552
Other	8,043	3,457	-	(4,586)
Support Services:				
Pupils	1,671,309	972,397	70,609	(628,303)
Instructional staff	1,834,817	916,443	298,483	(619,891)
Board of Education	69,192	41,484	-	(27,708)
Administration	352,528	209,664	10,698	(132,166)
Fiscal	159,599	91,677	8,559	(59,363)
Operation and maintenance of plant	51,998	27,656	-	(24,342)
Central	42,796	17,191	16,047	(9,558)
Extracurricular activities	6,080	3,569	535	(1,976)
<i>Totals</i>	<u>\$ 6,402,381</u>	<u>\$ 3,569,142</u>	<u>\$ 1,465,262</u>	<u>(1,367,977)</u>
<b>General Revenues</b>				
Grants and entitlements not restricted to specific programs				1,026,458
Gifts and donations not restricted to specific programs				500
Investment earnings				132,971
Miscellaneous				124,128
<i>Total General Revenues</i>				<u>1,284,057</u>
<i>Change in Net Assets</i>				(83,920)
<i>Net Assets Beginning of Year</i>				<u>3,842,450</u>
<i>Net Assets End of Year</i>				<u>\$ 3,758,530</u>

See accompanying notes to the basic financial statements.

**Ross-Pike Educational Service District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2006*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 2,705,244	\$ 228,506	\$ 2,933,750
Receivables:			
Intergovernmental	<u>831,177</u>	<u>-</u>	<u>831,177</u>
<i>Total Assets</i>	<u>3,536,421</u>	<u>228,506</u>	<u>3,764,927</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	14,518	182	14,700
Accrued wages	453,186	28,772	481,958
Intergovernmental payable	<u>183,900</u>	<u>8,161</u>	<u>192,061</u>
<i>Total Liabilities</i>	<u>651,604</u>	<u>37,115</u>	<u>688,719</u>
<b>Fund Balances</b>			
Reserved for encumbrances	41,478	39,576	81,054
Unreserved, undesignated, reported in:			
General fund	2,843,339	-	2,843,339
Special revenue funds	<u>-</u>	<u>151,815</u>	<u>151,815</u>
<i>Total Fund Balances</i>	<u>2,884,817</u>	<u>191,391</u>	<u>3,076,208</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,536,421</u>	<u>\$ 228,506</u>	<u>\$ 3,764,927</u>

See accompanying notes to the basic financial statements.

**Ross-Pike Educational Service District**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2006*

<b>Total Governmental Fund Balances</b>	\$ 3,076,208
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	102,526
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.	681,351
The long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(101,555)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 3,758,530</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, 2006*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental	\$ 2,178,288	\$ 524,505	\$ 2,702,793
Investment earnings	132,971	-	132,971
Tuition and fees	3,199,087	104,866	3,303,953
Charges for services	257,949	7,240	265,189
Gifts and donations	500	10,410	10,910
Miscellaneous	104,049	20,079	124,128
<i>Total Revenues</i>	<u>5,872,844</u>	<u>667,100</u>	<u>6,539,944</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	87,492	-	87,492
Special	1,968,098	183,145	2,151,243
Other	8,043	-	8,043
Support Services:			
Pupils	1,611,255	99,680	1,710,935
Instructional staff	1,370,324	421,214	1,791,538
Board of Education	69,192	-	69,192
Administration	349,977	15,078	365,055
Fiscal	143,640	12,451	156,091
Operation and maintenance of plant	48,164	-	48,164
Central	20,411	22,385	42,796
Extracurricular activities	5,072	1,008	6,080
<i>Total Expenditures</i>	<u>5,681,668</u>	<u>754,961</u>	<u>6,436,629</u>
<i>Excess of Revenues Over Expenditures</i>	<u>191,176</u>	<u>(87,861)</u>	<u>103,315</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	44,358	44,358
Transfers out	(44,358)	-	(44,358)
<i>Total Other Financing Sources (Uses)</i>	<u>(44,358)</u>	<u>44,358</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	146,818	(43,503)	103,315
<i>Fund Balances Beginning of Year</i>	<u>2,737,999</u>	<u>234,894</u>	<u>2,972,893</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,884,817</u>	<u>\$ 191,391</u>	<u>\$ 3,076,208</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, 2006*

**Net Change in Fund Balances - Total Governmental Funds** \$ 103,315

**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 outlays in the current period.

Capital Asset Additions	35,125	
Current Year Depreciation	(49,483)	
Total	(14,358)	(14,358)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Loss on Disposal of Capital Assets		(5,811)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental		(221,483)
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

41,284

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences		13,133
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**Net Change in Net Assets of Governmental Activities** \$ (83,920)

See accompanying notes to the basic financial statements.

**Ross-Pike Educational Service District**  
*Statement of Fund Net Assets*  
 Governmental Activities - Internal Service Fund  
 June 30, 2006

	<b>Internal Service Fund</b>
<b>ASSETS:</b>	
Current Assets:	
Equity in pooled cash and cash equivalents	\$ 455,998
Cash and cash equivalents with fiscal agents	304,794
Total Current Assets	760,792
Noncurrent Assets:	
Intergovernmental receivable	27,734
<i>Total Assets</i>	788,526
<b>LIABILITIES:</b>	
Claims payable	107,175
<i>Total Liabilities</i>	107,175
<b>NET ASSETS:</b>	
Unrestricted	681,351
Total Net Assets	\$ 681,351

See accompanying notes to the basic financial statements.

**Ross-Pike Educational Service District**  
*Statement of Revenues, Expenses and  
 Changes In Fund Net Assets*  
 Governmental Activities - Internal Service Fund  
 For the Fiscal Year Ended June 30, 2006

	<b>Internal Service Fund</b>
Operating Revenues:	
Charges for services	\$ 939,836
<i>Total Operating Revenues</i>	939,836
Operating Expenses:	
Purchased services	107,657
Claims expense	794,467
<i>Total Operating Expenses</i>	902,124
<i>Operating Income</i>	37,712
Non-Operating Revenues:	
Interest	3,572
<i>Total Non-Operating Revenues</i>	3,572
Change in Net Assets	41,284
Net Assets at Beginning of Year	640,067
Net Assets at End of Year	\$ 681,351

See accompanying notes to the basic financial statements.

**Ross-Pike Educational Service District**  
*Statement of Cash Flows*  
*Governmental Activities - Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2006*

	<b>Internal Service Fund</b>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash received from transaction with other funds	\$ 961,743
Cash payments to suppliers for services	(107,657)
Cash payments for claims	(755,260)
	<u>98,826</u>
<i>Net Cash Provided by Operating Activities</i>	
<i>Cash Flows from Investing Activities:</i>	
Interest	3,572
	<u>658,394</u>
Cash and cash equivalents at beginning of year	
	<u>\$ 760,792</u>
<b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i></b>	
Operating income	\$ 37,712
<i>Changes in Assets and Liabilities:</i>	
Decrease in intergovernmental receivable	21,907
Increase in claims payable	39,207
Total changes in assets and liabilities	61,114
	<u>\$ 98,826</u>

See accompanying notes to the basic financial statements.

**Ross-Pike Educational Service District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2006*

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<b>Assets</b>	
Equity in pooled cash and cash equivalents	<u>\$ 38,075</u>
<b>Total Assets</b>	<u>38,075</u>
<b>Liabilities</b>	
Undistributed monies	<u>38,075</u>
<b>Total Liabilities</b>	<u>\$ 38,075</u>

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, 2006

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

The Ross-Pike County Educational Service District (the "Educational Service District") is located in Chillicothe, Ohio, the county seat. The Educational Service District is a government resulting from a consolidation of the former Ross County Educational Service Center and the former Pike County Educational Service Center. The Educational Service District began operations on July 1, 1999. The Educational Service District supplies supervisory, special education, administrative, and other services to the Union-Scioto, Adena, Zane Trace, Scioto Valley (Ross), Huntington, Western, Eastern, Scioto Valley (Pike), and Paint Valley Local School Districts, the Chillicothe and the Waverly City School Districts, the Pike County Joint Vocational School and the Pickaway-Ross County Joint Vocational School. 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 County 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 60 support staff employees and 66 certified teaching personnel that provide services to the local and city school districts and the joint vocational schools.

*Reporting Entity:*

A reporting entity is composed 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 the Ross-Pike County 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; 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 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 currently has no component units for which it is financially accountable.

The Educational Service District is associated with five organizations. The South Central Ohio Computer Association, the Pickaway-Ross Career Technology Center, and the Vern Riffe Career Technology Center are defined as jointly governed organizations. The Ohio School Boards Association Workers' Compensation Group Rating Plan is defined as an insurance purchasing pool. The Ross County School Employees Insurance Consortium is defined as a claims servicing pool. Information about these organizations are presented in Notes 13 and 14 to the basic financial statements.

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

The financial statements of the Ross-Pike 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.

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

**A. Basis Of Presentation**

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

***Government-wide Financial Statements:***

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

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

***Fund Financial Statements:***

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

**B. Fund Accounting**

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

**Governmental Funds**

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



Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

**General Fund**

The General Fund is the general 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 school laws of Ohio.

The other governmental funds of the Educational Service District account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the Educational Service District has no Enterprise Funds.

**Internal Service Fund**

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

**Fiduciary Funds**

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

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

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

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

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

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

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

**Revenues – Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the Educational Service District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Educational Service District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Educational Service District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 fiscal year-end: grants, charges for services, and tuition.

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

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

**D. Budgetary Process**

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

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the Educational Service District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

The Educational Service District participates in a claims servicing pool that pays employee health insurance claims on the Educational Service District's behalf. The balance of the Educational Service District's funds held by the claims administrator and the fiscal agent at June 30, 2006 is presented as "Cash and Cash Equivalents with Fiscal Agents" on the financial statements.

During fiscal year 2006, the Educational Service District investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. Except for nonparticipating investment contracts, investments are recorded at fair value that is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

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 2006 amounted to \$132,971.

**F. Capital Assets and Depreciation**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and 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.

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

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**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:

<u>Description</u>	<u>Useful Life</u>
Building and Improvements	30 years
Furniture	10-20 years
Educational Media	3-6 years
Computers and Equipment	4-6 years

**G. Compensated Absences**

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service District's termination policy. The Educational Service District records a liability for accumulated unused sick leave for classified and certified employees after fifteen years of current service with the Educational Service District. The entire compensated absence liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

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

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

**I. 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.

**J. Fund Balance Reserves**

The Educational Service District reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

**K. Estimates**

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

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

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

Of the Educational Service District's \$191,391 restricted net assets, none are restricted by enabling legislation.

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the 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 Center's primary mission. Various state and federal grants, as well as investment earnings comprise the non-operating revenues and expenses of the Educational Service Center.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2006, the Educational Service District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Educational Service District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Educational Service District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Educational Service District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Educational Service District's total average portfolio.

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

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.

**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 to it. The Educational Service District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$50,951 of the District's bank balance of \$244,295 and \$3,177,449 in governmental money market funds were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Educational Service District's name.

The Educational Service District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Educational Service District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least on hundred five percent of the deposits being secured.

**Investments** As of June 30, 2006, the Educational Service District had the following investments:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	\$365,548	30 days
Repurchase Agreement	520,289	less than one year
Total Fair Value	\$885,837	

Interest rate risk – In accordance with the investment policy, the Educational Service District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. Under the guidelines of this policy, no security will be purchased that has a remaining term to final maturity of more than two years.

Credit Risk –The Educational Service District limits their investments to STAR Ohio and repurchase agreements. Investments in STAR Ohio were rated AAAM by Standard & Poor's. Under the guidelines of the investment policy, the Educational Service District is permitted to invest in any security specifically authorized by the Ohio Revised Code, Sections 135.14, 135.142, and 135.45. Investments in the U.S. Treasury Securities and those instruments completely guaranteed by the U.S. Treasury as payment of the principal and interest may be made in any dollar amount and are rated AAA and Aaa by Standard & Poor's and Moody's Investor Services.

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Educational Service District’s investment in a single issuer. The investment policy states that the Educational Service District should normally seek to diversify its holdings of other investments by avoiding concentrations of specific issuers. The District has invested 59% in repurchase agreements and 41% in STAR Ohio.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Educational Service District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Educational Service District’s securities are either insured and registered in the name of the Educational Service District or at least registered in the name of the Educational Service District. Of the District’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the District.

**NOTE 5 - STATE FUNDING**

The Educational Service District is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from State resources.

Part (B) of the budget is provided by the school districts to which the Educational Service District provides services and by the State Department of Education. Each school district’s portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district’s resources provided under the State’s Foundation Program. The Department of Education’s portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service District by \$37. This amount is provided from State resources.

If additional funding is needed for the Educational Service District, and if a majority of the Boards of Education of the school districts served by the Educational Service District approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Educational Service District through additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school district’s approve or disapprove the additional apportionment.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2006, consisted of intergovernmental monies and claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the Educational Service District. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
School District French and Latin Teachers	\$68,225
School District Caregiver	26,098
School District Intervention Specialists	147,166
Workshops, Training, and Physical Reimbursements	34,300
School District Excess Costs	555,388
Total General Fund	831,177
Internal Service Fund:	
Premium in excess of claims	27,734
Total All Funds	\$858,911



Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 7 - CAPITAL ASSETS**

A summary of the changes in capital assets during fiscal year 2006 follows:

	<u>Ending Balance 06/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 06/30/06</u>
<b>Governmental Activities</b>				
Capital Assets Being Depreciated				
Building and Improvements	\$ 3,790	\$ -	\$ (3,790)	\$ -
Furniture and Equipment	422,478	35,125	(47,802)	409,801
Educational Media	861	-	-	861
Total Capital Assets, Being Depreciated	<u>427,129</u>	<u>35,125</u>	<u>(51,592)</u>	<u>410,662</u>
Less Accumulated Depreciation:				
Building and Improvements	(894)	(126)	1,020	-
Furniture and Equipment	(302,679)	(49,357)	44,761	(307,275)
Educational Media	(861)	-	-	(861)
Total Accumulated Depreciation	<u>(304,434)</u>	<u>(49,483)</u>	<u>45,781</u>	<u>(308,136)</u>
Total Capital Assets Being Depreciated, Net	<u>122,695</u>	<u>(14,358)</u>	<u>(5,811)</u>	<u>102,526</u>
Governmental Activities Capital Assets, Net	<u>\$ 122,695</u>	<u>\$ (14,358)</u>	<u>\$ (5,811)</u>	<u>\$ 102,526</u>

Depreciation expense was charged to government functions as follows:

Instruction:	
Special	\$ 13,950
Support Services:	
Pupils	6,234
Instructional Staff	16,398
Administration	8,598
Fiscal	469
Operation and Maintenance of Plant	3,834
Total Depreciation Expense	<u>\$ 49,483</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 2006, the Educational Service District contracted with Cincinnati Insurance Company for property insurance.

Coverages 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, 2006

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

**B. Risk Pool Membership**

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 approximately 400 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. Only if the Plan’s paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (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.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006:

	<u>2006</u>
Assets	\$1,730,236
Liabilities	<u>941,026</u>
Members’ Equity	<u>\$789,210</u>

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

**C. Workers’ Compensation**

For fiscal year 2006, the Educational Service District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). 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 Gates McDonald & Company 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 servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service District’s behalf. The claims liability of \$107,175 reported in the internal service fund at June 30, 2006 is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, 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.

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2005	\$41,286	\$437,324	\$410,642	\$67,968
2006	67,968	833,674	794,467	107,175

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service District is required to contribute at an actuarially determined rate. The current Educational Service District rate is 14 percent of annual covered payroll. A portion of the Educational Service District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$206,628, \$178,623, and \$134,536, respectively; 53 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**B. 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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad St., Columbus, Ohio 43215-3371, by calling (614)227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service District's required contributions for pension obligations to STRS Ohio for fiscal years ended June 30, 2006, 2005, and 2004 were \$405,481, \$419,876, and \$364,766, respectively; 100 percent has been contributed for fiscal years 2006, 2005 and 2004.

**C. 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. As of June 30, 2006, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Educational Service District, this amount equaled \$31,191 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Educational Service District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$174,634.

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Full-time teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

**B. Life Insurance**

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

**C. Deferred Compensation**

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

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service District's long-term obligations during fiscal year 2006 were as follows:

	<u>Outstanding 6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/06</u>	<u>Due in One Year</u>
Compensated Absences	\$ 114,688	\$ 101,555	\$ 114,688	\$ 101,555	\$ 6,698

Compensated absences will be paid from the funds from which the employees' salaries are paid.

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**NOTE 13 - 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 \$9,671 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver creek Rd., Piketon, Ohio 45661.

*Pickaway-Ross Career Technology Center* - The Pickaway-Ross Career 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 2006, the Educational Service District made no contributions to the Pickaway-Ross Career Technology Center.

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

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

**NOTE 14 - INSURANCE PURCHASING POOL AND CLAIMS SERVICING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The Educational Service District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

Ross-Pike Educational Service District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**NOTE 15 - CONTINGENCIES**

**A. Grants**

The Educational Service District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2006.

**B. Litigation**

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

**NOTE 16 –INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2006, were as follows:

	<b><u>Transfer From:</u></b>	<b><u>Transfer To:</u></b>
<b>Major Fund:</b>		
General	\$ 44,358	\$ -
<b>Non-Major Special Revenue Funds:</b>		
Ross County Alternative School	-	25,000
EMIS	-	19,358
	\$ 44,358	\$ 44,358
<b>Total:</b>		

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 17 – OPERATING LEASE**

On June 1, 2007, the Educational Service District entered into an operating lease for office space. The period of the lease agreement is June 1, 2007 through May 31, 2008 at a cost of \$2,000 per month.

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**Ross-Pike Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Budget Basis) and Actual*  
**GENERAL FUND**  
*For the Fiscal Year Ended June 30, 2006*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES*:</b>				
Intergovernmental			\$1,660,374	
Interest			132,971	
Tuition and Fees			3,199,087	
Gifts and Donations			500	
Customer Sales and Services			257,949	
Miscellaneous			103,674	
<b>Total Revenues</b>			<u>5,354,555</u>	
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	94,703	94,702	88,293	6,409
Special	2,144,784	2,218,759	1,930,738	288,021
Other	12,000	12,000	8,043	3,957
<b>Support Services:</b>				
Pupils	1,800,976	1,986,846	1,593,287	393,559
Instructional Staff	1,388,883	1,405,392	1,364,282	41,110
Board of Education	86,670	86,670	68,006	18,664
Administration	453,332	493,064	383,231	109,833
Fiscal	210,150	210,151	141,701	68,450
Operation and Maintenance of Plant	67,500	67,500	49,008	18,492
Central	44,000	49,000	19,476	29,524
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	8,046	9,546	5,372	4,174
Intergovernmental	5,000	5,000	0	5,000
<b>Total Expenditures</b>	<u>6,316,044</u>	<u>6,638,630</u>	<u>5,651,437</u>	<u>987,193</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(6,316,044)</u>	<u>(6,638,630)</u>	<u>(296,882)</u>	<u>987,193</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Refund of Prior Year Expenditures			375	
Advances In			32,645	
Transfers Out	(75,000)	(75,000)	(44,358)	30,642
Refund of Prior Year Receipts	(100,000)	(100,000)	0	5,000
Advances Out	(50,000)	(50,000)	(25,000)	25,000
<b>Total Other Financing Sources and Uses</b>	<u>(225,000)</u>	<u>(225,000)</u>	<u>(36,338)</u>	<u>60,642</u>
<b>Net Change in Fund Balance</b>			(333,220)	
<b>Fund Balance at Beginning of Year</b>			2,986,625	
<b>Prior Year Encumbrances Appropriated</b>			(4,463)	
<b>Fund Balance at End of Year</b>			<u>\$2,648,942</u>	

See accompanying notes to the basic financial statements

\* The Ross-Pike Educational Service District does not formally approve estimated revenues.

# Ross-Pike Educational Service District

## NOTES TO THE SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2006

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Adjustments necessary to convert the results of operations at end of year on the budget basis to the modified accrual basis (GAAP) are as follows:

	<u>General Fund</u>
<b>Net Change in Fund Balance per the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	\$ 146,818
Net revenue accruals	(485,269)
Net expenditures	61,717
Encumbrances	<u>(56,486)</u>
<b>Net Change in Fund Balance per the Budgetary Schedule</b>	<u>\$ (333,220)</u>



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the basic financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ross-Pike Educational Service District, Ross County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the finding stated above is also material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated February 6, 2008.

#### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 6, 2008.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 6, 2008

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2006**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**2006-001**

**Financial Adjustment – Significant Deficiency/Material Weakness**

Sound financial reporting is the responsibility of the Treasurer of the District and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The District made the following audit adjustment and reclassification to the financial statements:

- 1) To reclassify \$487,969 from reserved for encumbrances to unreserved in the Remaining Fund Information due to overstatement.

The following audit adjustments and reclassifications were inconsequential to the overall financial statements of the District and were not posted to the financial statements.

- 1) To reduce intergovernmental payable and special instruction expenditures in the General Fund and Remaining Fund Information due to the wrong SERS surcharge amount being used in the amount of \$145,832 and \$4,990, respectively.
- 2) To reduce claims payable and claims expenses in the amount of \$10,870 and increase cash with fiscal agent and charges for services in the amount of \$2,288 in the Remaining Fund Information in order to agree with the third party conformation.
- 3) To reclassify due in more than one year to due in one year in the amount of \$22,521.
- 4) To reclassify \$20,079 from general revenues to charges for services due to professional development training conduct by the District being misclassified.
- 5) To reclassify \$3,053 from unreserved to reserve for encumbrances for the Remaining Fund Information.
- 6) To reclassify \$220,542 from intergovernmental revenue to deferred revenue for grants monies not received within the available period.
- 7) To reduce \$15,000 in transfers from the General Fund to the Remaining Fund Information to agree to the resolution amount.
- 8) To reclassify \$44,173 from miscellaneous receipts to chargers for services in the General for professional services conducted by the District.

The adjustments and reclassifications identified above should be reviewed by the Treasurer to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the District adopt procedures for the review of the activity posted to the accounting records and subsequent financial statements.

**Official's Response:**

We received no official response for this finding.





**Mary Taylor, CPA**  
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  
MAY 29, 2008**