

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Basic Financial Statements

Year Ended June 30, 2017

With Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAs & ADVISORS



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ross-Pike Educational Service District, Ross County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 16, 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension liabilities and pension contributions on pages 4 - 12 and 57 - 58, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ross-Pike Educational Service District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the budgetary comparison information on pages 54 – 56 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 on our consideration of Ross-Pike Educational Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ross-Pike Educational Service District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 20, 2017

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

(Unaudited)

The management discussion and analysis of the Ross-Pike Educational Service District's financial performance provides an overview and analysis of the Educational Service District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Educational Service District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Educational Service District's financial performance.

Financial Highlights

- ▶ In total, net position of governmental activities decreased \$503,449, from a deficit of \$10,407,048 to a deficit balance of \$10,910,497 which represents a 4.84 percent decrease from 2016.
- ▶ General revenues accounted for \$578,652 or 5.79 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$9,408,435 or 94.21 percent of total revenues of \$9,987,087.
- ▶ The Educational Service District had \$10,490,536 in expenses related to governmental activities; \$9,408,435 of these expenses were offset by program specific charges for services and operating grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$578,652 were used to provide for the remainder of these programs.
- ▶ The Educational Service District major governmental funds are the General Fund and IDEA Part B Fund. The General Fund had \$7,472,827 in revenues and \$7,317,831 in expenditures. During fiscal year 2017, the General Fund balance increased \$154,996 from \$3,315,802 to \$3,470,798.
- ▶ The IDEA Part B Fund had \$1,431,760 in revenues and \$1,463,654 in expenditures. During fiscal year 2017, the IDEA Part B Fund balance decreased \$31,894 from a deficit of \$7,038 to a deficit of \$38,932.

Using these Basic Financial Statements

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

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

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

(Unaudited)

Reporting the Educational Service District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Educational Service District to provide programs and activities, the view of the Educational Service District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and statement of activities answer this question. These statements include all assets, liabilities, deferred outflows, deferred inflows, revenues and expenses using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The Educational Service District's statement of net position and statement of activities can be found on pages 13-14 of this report.

Reporting the Educational Service District's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the Educational Service District's major funds. The Educational Service District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service District's most significant funds. The Educational Service District's major governmental funds are the General Fund and IDEA Part B Fund.

Governmental Funds

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

The governmental fund financial statements provide a detailed *short-term* view of the Educational Service District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

(Unaudited)

Proprietary Funds

The Educational Service District's proprietary fund is an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Educational Service District's various functions. The Educational Service District's internal service fund accounts for dental and vision self-insurance programs. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Reporting the Educational Service District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-53 of this report.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

The Educational Service District as a Whole

Recall that the statement of net position provides the perspective of the Educational Service District as a whole. Table 1 provides a summary of the Educational Service District's net position for 2017 compared to fiscal year 2016:

Table 1
Net Position at Year End

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<u>Assets:</u>		
Current and Other Assets	\$4,921,466	\$4,919,452
Capital Assets, Net	97,647	97,358
Total Assets	<u>5,019,113</u>	<u>5,016,810</u>
<u>Deferred Outflows of Resources:</u>		
Pension	3,759,950	1,654,114
<u>Liabilities:</u>		
Current Liabilities	1,063,272	1,245,362
Long-Term Liabilities		
Due Within One Year	48,581	39,812
Due in More Than One Year:		
Net Pension Liability	18,322,666	14,606,959
Other Amounts	255,041	268,961
Total Liabilities	<u>19,689,560</u>	<u>16,161,094</u>
<u>Deferred Inflows of Resources:</u>		
Pension	0	916,878
<u>Net Position:</u>		
Investment in Capital Assets	97,647	97,358
Restricted	239,646	246,316
Unrestricted	(11,247,790)	(10,750,722)
Total Net Position	<u>(\$10,910,497)</u>	<u>(\$10,407,048)</u>

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

Under the standards required by GASB Statement No. 68, the net pension liability equals the Educational Service District's proportionate share of each plan's collective:

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

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

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

In accordance with GASB Statement No. 68, the Educational Service District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 68, the Educational Service District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At fiscal year-end, capital assets represented 1.95% of total assets. Capital assets include furniture and equipment and educational materials. Capital assets, net of accumulated depreciation at June 30, 2017, were \$97,647. These capital assets are used to provide services to students of other school districts and are not available for future spending.

Current liabilities decreased \$182,090 or 14.62% from fiscal year 2016 due primarily to decreases in both accrued wages and benefits and intergovernmental payable.

Long-term liabilities increased by \$3,710,556 or 24.88% as the result of an increase in net pension liability.

A portion of the Educational Service District's net position, \$239,646, represents resources that are subject to external restriction on how they may be used. The balance of unrestricted net position is a deficit \$11,247,790.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2017 and comparisons to fiscal year 2016.

	<u>2017</u>	<u>2016</u>
<u>Revenues:</u>		
<i>Program Revenues:</i>		
Charges for Services	\$7,189,358	\$7,034,762
Operating Grants and Contributions	2,219,077	1,894,157
<i>General Revenues:</i>		
Grants and Entitlements	336,069	336,396
Investment Earnings	9,608	53,775
Miscellaneous	232,975	300,288
<i>Total Revenues</i>	<u>9,987,087</u>	<u>9,619,378</u>
<u>Expenses:</u>		
<i>Program Expenses:</i>		
Instruction:		
Regular	123,318	87,995
Special	4,986,126	4,294,902
Other	11,022	15,709
Support Services:		
Pupil	1,424,415	1,485,033
Instructional Staff	2,755,131	2,282,060
Board of Education	66,121	72,429
Administration	553,566	635,370
Fiscal	314,061	300,538
Operation and Maintenance of Plant	131,866	152,817
Central	124,504	69,826
Operations of Non-Instructional Services	406	3,497
Total Expenses	<u>10,490,536</u>	<u>9,400,176</u>
Change in Net Position	(503,449)	219,202
Net Position at Beginning of Year	<u>(10,407,048)</u>	<u>(10,626,250)</u>
Net Position at Year End	<u>(\$10,910,497)</u>	<u>(\$10,407,048)</u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

Governmental Activities

Net Position of the Educational Service District's governmental activities decreased \$503,449. Total governmental expenses of \$10,490,536 were mostly offset by program revenues of \$9,408,435 and general revenues of \$578,652. Program revenues supported 89.68% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services. This revenue source represents 71.99% of total governmental revenue. The largest expense of the Educational Service District is for support services programs. Support services expenses totaled \$5,369,664 or 51.19% of total governmental expenses for fiscal year 2017.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2017 and 2016. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
<i>Program Expenses:</i>				
<i>Instruction:</i>				
Regular	\$123,318	\$123,318	\$87,995	\$87,995
Special	4,986,126	935,051	4,294,902	639,363
Other	11,022	11,022	15,709	15,709
<i>Support Services:</i>				
Pupil	1,424,415	371,146	1,485,033	270,965
Instructional Staff	2,755,131	(706,668)	2,282,060	(814,230)
Board of Education	66,121	66,121	72,429	72,429
Administration	553,566	63,585	635,370	103,495
Fiscal	314,061	74,461	300,538	18,980
Operation and Maintenance of Plant	131,866	19,155	152,817	17,738
Central	124,504	124,504	69,826	69,826
Operation of Non-Instructional Services	<u>406</u>	<u>406</u>	<u>3,497</u>	<u>(11,013)</u>
Total Expenses	<u>\$10,490,536</u>	<u>\$1,082,101</u>	<u>\$9,400,176</u>	<u>\$471,257</u>

For all governmental activities, program revenue support is 89.68% and 94.99% at June 30, 2017 and 2016 respectively, of total governmental activities expenses. The Educational Service District's charges for services and operating grants and contributions, as a whole, are by far the primary support for Educational Service District's programs and services provided.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

Fund Balances

The Educational Service District's governmental funds reported a combined fund balance of \$3,466,131 which is more than the previous fiscal year's fund balance of \$3,310,907. The schedule below indicates the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance/(Deficit) June 30, 2017	Fund Balance/(Deficit) June 30, 2016	Increase (Decrease)	Increase (Decrease)
General	\$3,470,798	\$3,315,802	\$154,996	4.67%
IDEA Part B	(38,932)	(7,038)	(\$31,894)	(453.17%)
Other Governmental	34,265	2,143	\$32,122	1,498.93%
Total	<u>\$3,466,131</u>	<u>\$3,310,907</u>	<u>\$155,224</u>	4.69%

General Fund

The Educational Service District's General fund balance increased \$154,996.

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

	2017 Amount	2016 Amount	Increase (Decrease)	Increase (Decrease)
Revenues:				
Tuition	\$6,394,650	\$6,408,918	(\$14,268)	(0.22%)
Charges for Services	408,938	229,439	179,499	78.23%
Interest	9,608	53,775	(44,167)	(82.13%)
Intergovernmental	434,195	414,012	20,183	4.87%
All Other Revenues	225,436	247,202	(21,766)	(8.80%)
Total	<u>\$7,472,827</u>	<u>\$7,353,346</u>	<u>\$119,481</u>	1.62%
Expenditures:				
Instruction	\$4,398,730	\$3,966,988	\$431,742	10.88%
Support Services	2,919,101	3,199,680	(280,579)	(8.77%)
Total	<u>\$7,317,831</u>	<u>\$7,166,668</u>	<u>\$151,163</u>	2.11%

Revenues of the General Fund increased \$119,481 or 1.62%. Charges for Services revenues increased \$179,499 or 78.23%. This increase is primarily due to an increase in charges to schools.

Expenditures of the General Fund increased \$151,163 or 2.11%. This increase is primarily due to an increase in Instruction expenditures of \$431,742 or 10.88%.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

IDEA Part B Fund

The IDEA Part B fund had \$1,431,760 in revenues and \$1,463,654 in expenditures. During fiscal year 2017, the IDEA Part B fund balance decreased \$31,894 from a deficit of \$7,038 to a deficit of \$38,932. The decrease is due to grant expenditures exceeding grant revenue for fiscal 2017.

Capital Assets

At the June 30, 2017, the Educational Service District had \$97,647 invested in furniture and equipment and educational media. This entire amount is reported in governmental activities. The following table shows June 30, 2017 balances compared to June 30, 2016.

Table 4
Capital Assets at Year End

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<i>Depreciable Capital Assets:</i>		
Furniture and Equipment	<u>\$97,647</u>	<u>\$97,358</u>
Capital Assets, Net	<u>\$97,647</u>	<u>\$97,358</u>

The overall increase in capital assets of \$289 is due to capital asset additions exceeding disposals and current year depreciation during fiscal year 2017. See Note 8 to the basic financial statements for additional information on the Educational Service District's capital assets.

Current Financial Related Activities

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

Contacting the Educational Service District's Financial Management

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Investments	\$3,817,903
Accounts Receivable	901
Intergovernmental Receivable	1,091,487
Accrued Interest Receivable	11,175
Depreciable Capital Assets, Net	<u>97,647</u>
<i>Total Assets</i>	<u>5,019,113</u>
<u>Deferred Outflows of Resources:</u>	
Pensions	<u>3,759,950</u>
<i>Total Deferred Outflows of Resources</i>	<u>3,759,950</u>
<u>Liabilities:</u>	
Accounts Payable	6,228
Accrued Wages and Benefits	837,220
Intergovernmental Payable	214,356
Claims Payable	5,468
Long-Term Liabilities:	
Due within One Year	48,581
Due in More Than One Year:	
Net Pension Liability	18,322,666
Other Amounts Due in More Than One Year	<u>255,041</u>
<i>Total Liabilities</i>	<u>19,689,560</u>
<u>Net Position:</u>	
Investment in Capital Assets	97,647
Restricted for:	
IDEA Part B Program	40,594
Professional Development	51,307
Preschool Expansion Program	127,220
Other Purposes	20,525
Unrestricted (Deficit)	<u>(11,247,790)</u>
<i>Total Net Position</i>	<u><u>(\$10,910,497)</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$123,318	\$0	\$0	(\$123,318)
Special	4,986,126	3,843,574	207,501	(935,051)
Other	11,022	0	0	(11,022)
<i>Support Services:</i>				
Pupils	1,424,415	896,031	157,238	(371,146)
Instructional Staff	2,755,131	1,738,115	1,723,684	706,668
Board of Education	66,121	0	0	(66,121)
Administration	553,566	431,072	58,909	(63,585)
Fiscal	314,061	197,579	42,021	(74,461)
Operation and Maintenance of Plant	131,866	82,987	29,724	(19,155)
Central	124,504	0	0	(124,504)
Operation of Non-Instructional Services	406	0	0	(406)
<i>Total Governmental Activities</i>	<u>\$10,490,536</u>	<u>\$7,189,358</u>	<u>\$2,219,077</u>	<u>(1,082,101)</u>
<u>General Revenues:</u>				
Grants and Entitlements not Restricted to Specific Programs				336,069
Investment Earnings				9,608
Miscellaneous				232,975
<i>Total General Revenues</i>				<u>578,652</u>
Change in Net Position				(503,449)
<i>Net Position at Beginning of Year</i>				<u>(10,407,048)</u>
<i>Net Position at End of Year</i>				<u><u>(\$10,910,497)</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2017*

	General	IDEA Part B	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Investments	\$3,606,467	\$0	\$87,474	\$3,693,941
Accounts Receivable	901	0	0	901
Intergovernmental Receivable	508,117	373,329	210,041	1,091,487
Accrued Interest Receivable	11,175	0	0	11,175
Interfund Receivable	207,908	0	0	207,908
<i>Total Assets</i>	<u>\$4,334,568</u>	<u>\$373,329</u>	<u>\$297,515</u>	<u>\$5,005,412</u>
<u>Liabilities:</u>				
Accounts Payable	\$948	\$3,191	\$2,089	\$6,228
Accrued Wages and Benefits	691,766	91,044	54,410	837,220
Intergovernmental Payable	171,056	33,881	9,419	214,356
Interfund Payable	0	176,026	31,882	207,908
<i>Total Liabilities</i>	<u>863,770</u>	<u>304,142</u>	<u>97,800</u>	<u>1,265,712</u>
<u>Deferred Inflows of Resources:</u>				
Unavailable Revenue	0	108,119	165,450	273,569
<u>Fund Balances:</u>				
Restricted	0	0	65,284	65,284
Committed	53,596	0	0	53,596
Assigned	4,336	0	0	4,336
Unassigned	3,412,866	(38,932)	(31,019)	3,342,915
<i>Total Fund Balances</i>	<u>3,470,798</u>	<u>(38,932)</u>	<u>34,265</u>	<u>3,466,131</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$4,334,568</u>	<u>\$373,329</u>	<u>\$297,515</u>	<u>\$5,005,412</u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017*

Total Governmental Funds Balances	\$3,466,131
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	97,647
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Intergovernmental Receivable	273,569
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(303,622)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds: Deferred Outflows - Pension Net Pension Liability	3,759,950 <u>(18,322,666)</u>
Total	(14,562,716)
Internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.	<u>118,494</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$10,910,497)</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, 2017

	General	IDEA Part B	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Intergovernmental	\$434,195	\$1,431,760	\$655,058	\$2,521,013
Tuition	6,394,650	0	302,990	6,697,640
Charges for Services	408,938	0	82,780	491,718
Interest	9,608	0	0	9,608
Gifts and Contributions	1,075	0	0	1,075
Miscellaneous	224,361	0	8,614	232,975
<i>Total Revenues</i>	<u>7,472,827</u>	<u>1,431,760</u>	<u>1,049,442</u>	<u>9,954,029</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	113,905	0	0	113,905
Special	4,273,803	0	353,653	4,627,456
Other	11,022	0	0	11,022
<i>Support Services:</i>				
Pupils	1,191,558	0	141,327	1,332,885
Instructional Staff	813,643	1,362,022	389,977	2,565,642
Board of Education	64,586	0	0	64,586
Administration	386,470	40,380	112,470	539,320
Fiscal	238,114	35,386	19,487	292,987
Operation and Maintenance of Plant	106,000	25,866	0	131,866
Central	118,730	0	0	118,730
Operation of Non-Instructional Services	0	0	406	406
<i>Total Expenditures</i>	<u>7,317,831</u>	<u>1,463,654</u>	<u>1,017,320</u>	<u>9,798,805</u>
<i>Net Change in Fund Balances</i>	154,996	(31,894)	32,122	155,224
<i>Fund Balances at Beginning of Year</i>	<u>3,315,802</u>	<u>(7,038)</u>	<u>2,143</u>	<u>3,310,907</u>
<i>Fund Balances at End of Year</i>	<u>\$3,470,798</u>	<u>(\$38,932)</u>	<u>\$34,265</u>	<u>\$3,466,131</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, 2017*

Net Change in Fund Balances - Total Governmental Funds \$155,224

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 capital outlay exceeded depreciation in the current period.

Capital Asset Additions	28,196	
Current Year Depreciation	<u>(24,631)</u>	
Total		3,565

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (3,276)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of: 33,058

Intergovernmental revenue

Some expenses reported in the statement of activities, including compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 5,151

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 930,180

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,623,173)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities. (4,178)

Change in Net Position of Governmental Activities (\$503,449)

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

	Governmental Activities
	Internal Service
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$123,962
<i>Total Assets</i>	123,962
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	5,468
<i>Total Liabilities</i>	5,468
<u>Net Position:</u>	
Unrestricted	118,494
<i>Total Net Position</i>	\$118,494

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$70,518
<i>Total Operating Revenues</i>	70,518
<u>Operating Expenses:</u>	
Claims	74,696
<i>Total Operating Expenses</i>	74,696
<i>Operating Loss/Change in Net Position</i>	(4,178)
<i>Net Position at Beginning of Year</i>	122,672
<i>Net Position at End of Year</i>	\$118,494

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

Governmental
 Activities

Internal
 Service

Cash Flows from Operating Activities:

Cash Received from Interfund Services Provided
 Cash Payments for Claims

\$70,518
 (73,820)

Net Cash from Operating Activities

(3,302)

Net Decrease in Cash and Cash Equivalents

(3,302)

Cash and Cash Equivalents at Beginning of Year

127,264

Cash and Cash Equivalents at End of Year

\$123,962

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

Operating Loss

(\$4,178)

Changes in Liabilities:

Increase in Claims Payable

876

Net Cash from Operating Activities

(\$3,302)

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2017

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Investments	\$21,038
Intergovernmental Receivable	<u>2,500</u>
<i>Total Assets</i>	<u><u>\$23,538</u></u>
<u>Liabilities:</u>	
Undistributed Monies	<u>\$23,538</u>
<i>Total Liabilities</i>	<u><u>\$23,538</u></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, 2017*

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

Description of the Educational Service District

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

The Ross-Pike Educational Service District operates under a locally-elected Board form of government consisting of five members from Ross County, plus four Board members from the Pike County Joint Vocational school, who are elected for staggered four-year terms and two members that are appointed by the nine elected Board members. The Educational Service District has 115 support staff employees and 80 certified teaching and supervisory personnel that provides services to the local and city school districts and the career technology Districts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Educational Service District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Educational Service District's accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “*The Financial Reporting Entity*” as amended by GASB Statement No. 39, “*Determining Whether Certain Organizations Are Component Units*” and GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus.*” The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service District consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service District. For Ross-Pike Educational Service District, this includes general operations and student related activities.

Component units are legally separate organizations for which the Educational Service District is financially accountable. The Educational Service District is financially accountable for an organization if the Educational Service District appoints a voting majority of the organization's governing board and (1) the Educational Service District is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service District is legally entitled to or can otherwise access the organization's resources; or (3) the Educational Service District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Educational Service District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service District in that the Educational Service District approves the budget, the issuance of debt, or the levying of taxes. The Educational Service District has no component units.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

Jointly Governed Organizations

Meta Solutions

Meta Solutions is a jointly governed organization as a regional council of governments pursuant to State statutes. Meta Solutions develops, implements, and supports the technology and instructional needs of member districts including financial accounting services, educational management information services, and cooperative purchasing services. Meta Solutions membership consists of 152 public schools, 11 educational service centers, 15 career technology centers, and more than 200 non-public chartered schools. Non-public charter schools are not members but receive services based on contractual agreements and are not eligible for seats on the board of directors. Each member district pays an annual fee for services provided by Meta Solutions. Meta Solutions is governed by an 11-member board of directors made up of Superintendents and School Business Officials selected from the 178 member public school districts. The board of directors controls the budget and finances of Meta Solutions. The continued existence of META Solutions is not dependent on the District's continued participation and no equity interest exists. Financial statements for META Solutions can be obtained from the META Solutions office, 2100 Citygate Drive, Columbus, Ohio 43219. The District made payments of \$6,074 to META Solutions for fiscal year 2017.

Pickaway-Ross Career and Technology Center

The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, and the Educational Service District, each of which possesses its own budgeting and taxing authority. During fiscal year 2017, the Educational Service District made no payments to the Pickaway-Ross Career and Technology Center. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Todd Starr, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Insurance Purchasing Pools

Workers' Compensation Group Rating Program

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

Ohio School Plan

For Members with Ohio Plan policies renewing after November 1, 2005.

Risk Pool Membership

The 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").

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

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’s, 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, 2016 and 2015 (the latest information available):

	<u>2016</u>	<u>2015</u>
Assets	\$10,507,059	\$9,313,853
Liabilities	<u>(3,853,671)</u>	<u>(3,956,512)</u>
Members Equity	<u>\$6,653,388</u>	<u>\$5,357,341</u>

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

Ross County School Employees Insurance Consortium

The Ross County School Employees Insurance Consortium (the “Consortium”), a shared risk-pool, currently operates to provide medical insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Seven school districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical insurance for the benefit of the Consortium members’ employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. 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.

Accordingly, the Ross County School Employees Insurance Consortium is not part of the Education Service District and its operations are not included as part of the reporting entity. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Chillicothe, Ohio 45601.

B. Basis of Presentation

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Educational Service District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the Educational Service District that are governmental and those that are considered business-type activities. The Educational Service District has no business-type activities.

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

Fund Financial Statements

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

C. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the Educational Service District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities and deferred inflows is reported as fund balance.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

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

General Fund - This fund is the operating fund of the Educational Service District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the Educational Service District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Proprietary Fund

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The Educational Service District's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service District's agency funds account for virtual learning programs and a district agency fund.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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 position. The statement of changes in fund net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total position. The statement of cash flows provides information about how the Educational Service District finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Educational Service District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

In addition to the liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the Educational Service District, deferred inflows of resources include pension and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Educational Service District unavailable revenue includes intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

Expenses/Expenditures

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

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

F. Budgetary Process

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

In fiscal year 2004, the Educational Service District's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Educational Service District was discretionary, the Educational Service District continued to have its Board approve appropriations. The Educational Service District's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board.

The level of control has been established by the Board at the fund level for all funds. Budgetary information for the General fund and the IDEA Part B fund have been presented as supplementary information to the basic financial statements.

G. Equity in Pooled Cash and Investments

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

During fiscal year 2017, investments were limited to Federal Agency Securities, U.S. Government money market account, State Treasury Asset Reserve of Ohio (STAROhio) and certificates of deposit. Except for nonparticipating investment contracts, investments are recorded at fair value. 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. The Educational Service Center has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." Investments in STAROhio are valued at the net asset value per share provided by STAROhio on an amortized cost basis at June 30, 2017. Nonparticipating investment contracts are reported at cost.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$9,608, which includes \$519 assigned from other Educational Service District funds.

H. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition cost as of the date received. The Educational Service District maintains a capitalization threshold of five hundred dollars. The Educational Service District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Furniture	10 - 20 years
Educational Media	3-6 years
Computers and Equipment	4-6 years

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

I. Compensated Absences

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

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

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

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

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

J. Accrued Liabilities and Long-Term Liabilities

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

K. Pensions

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

L. Interfund Balances

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

M. 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.

N. Net Position

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

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

O. Fund Balance

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

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

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

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

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

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

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

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

P. Estimates

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Educational Service District, these revenues are charges for services for life and dental benefits provided to employees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Non-operating revenues and expenses are those that are not generated directly by the Educational Service District’s primary mission. The Educational Service District did not report non-operating revenues or expenses for fiscal year 2017.

NOTE 3 - NEW GASB PRONOUNCEMENTS

For fiscal year 2017, the Educational Service District implemented GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, GASB Statement No. 77, “Tax Abatement Disclosures”, GASB Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”, GASB Statement No. 80, “Blending Requirements for Certain Component Units”, and GASB Statement No. 82, “Pension Issues.” The implementation of GASB Statements Nos. 74, 77, 78, 80 and 82 had no effect on the prior period fund balances of the Educational Service District.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 4 – ACCOUNTABILITY

Deficit Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

	<u>Deficit</u>
IDEA Part B	\$38,932
<u>Nonmajor Funds</u>	
Preschool Expansion Grant	8,588
Alternative Challenge Grant	12,939
Miscellaneous State Grants	8,635
Preschool Grant	857

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

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Educational Service District, and must be purchased with the expectation that it will be held to maturity.

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all Educational Service District deposits was \$1,822,872. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$1,037,584 of the Educational Service District's bank balance of \$2,006,877 was exposed to custodial credit risk as discussed below, while \$969,293 was covered by the FDIC.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

C. Investments: As of June 30, 2017, the Educational Service District had the following investments and maturities:

<u>Investment Type</u>	<u>Value</u>	<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>Greater than 24 Months</u>
STAR Ohio	\$501,193	\$501,193	\$0	\$0	\$0
FHLB	183,456	0	183,456	0	0
FNMA	1,222,962	0	184,367	258,727	779,868
FHLMC	103,749	0	0	0	103,749
U.S. Government money market	4,684	4,684	0	0	0
Total	<u>\$2,016,044</u>	<u>\$505,877</u>	<u>\$367,823</u>	<u>\$258,727</u>	<u>\$883,617</u>

The District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of June 30, 2017.

All of the District's investments are valued using pricing sources as provided by the investments managers (Level 2 inputs)

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

Credit Risk: The Educational Service District's investment policy does not address credit risk. Standard and Poor's has assigned the Federal Home Loan Bank Bonds, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation a rating of "AA+". STAR Ohio and U.S. money market is rated AAAM.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The Educational Service District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Educational Service District at June 30, 2017:

<u>Investment Type</u>	<u>Value</u>	<u>% of Total</u>
STAR Ohio	\$501,193	24.86%
FHLB	183,456	9.10%
FNMA	1,222,962	60.66%
FHLMC	103,749	5.15%
U.S. Government money market	<u>4,684</u>	<u>0.23%</u>
Total	<u>\$2,016,044</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

Cash and Investments - Note 5	
Carrying amounts of deposits	\$1,822,872
Investments	2,016,044
Cash on hand	<u>25</u>
Total	<u>\$3,838,941</u>

Cash and Investments - Statement of Net Position	
Governmental Activities	\$3,817,903
Fiduciary Fund	<u>21,038</u>
Total	<u>\$3,838,941</u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 6 – INTERFUND TRANSACTIONS

Interfund receivables and payables consisted of the following at June 30, 2017:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$207,908	\$0
IDEA Part B	0	176,026
<i>Nonmajor Special Revenue Funds:</i>		
Alternative Challenge Grant	0	12,939
Miscellaneous State Grants	0	1,748
Title I	0	4,640
Preschool Grant	0	7,555
Miscellaneous Federal Grants	0	5,000
Total Nonmajor Special Revenue Funds	0	31,882
Total	\$207,908	\$207,908

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consist of accounts, intergovernmental and accrued interest. All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental Activities:

Accounts	\$901
Intergovernmental	1,091,487
Accrued Interest	11,175
Total	\$1,103,563

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 8 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Governmental Activities:				
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$420,372	\$28,196	(\$26,230)	\$422,338
Educational Media	861	0	0	861
<i>Total Capital Assets, being depreciated</i>	<u>421,233</u>	<u>28,196</u>	<u>(26,230)</u>	<u>423,199</u>
 <i>Less: Accumulated Depreciation:</i>				
Furniture and Equipment	(323,014)	(24,631)	22,954	(324,691)
Educational Media	(861)	0	0	(861)
Total Accumulated Depreciation	<u>(323,875)</u>	<u>(24,631)</u>	<u>22,954</u>	<u>(325,552)</u>
Depreciable Capital Assets, Net	<u>97,358</u>	<u>3,565</u>	<u>(3,276)</u>	<u>97,647</u>
Governmental Activities Capital Assets, Net	<u><u>\$97,358</u></u>	<u><u>\$3,565</u></u>	<u><u>(\$3,276)</u></u>	<u><u>\$97,647</u></u>

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Special	\$2,233
<i>Support Services:</i>	
Pupil	2,936
Instructional Staff	13,762
Administration	<u>5,700</u>
Total Depreciation Expense	<u><u>\$24,631</u></u>

NOTE 9 - 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 2017, the Educational Service District contracted through the Ohio School Plan for property insurance. Coverage's provided are as follows:

Building and Contents-Replacement cost (\$1,000 deductible)	\$202,250
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NOTE 9 - RISK MANAGEMENT- (Continued)

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

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

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

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Effective January 1, 2004, the Plan elected to participate in a paid loss ratio corridor deductible in its first \$1 million layer of casualty reinsurance. The corridor includes losses paid between 65% and 80% of premiums earned under this treaty. If the Plan’s paid loss ratio reaches 65%, the plan would pay all the losses incurred related to this treaty up to the next 15% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 80% is exceeded. Effective November 1, 2009, the Plan’s loss corridor includes losses paid between 80% and 85% of the premiums earned under this treaty. Effective July 1, 2010, the Plan retained 100% of the first \$150,000 layer of property. The Plan’s annual loss aggregate under this property treaty is \$1.5 million effective July 1, 2011. Effective July 1, 2012, the plan’s annual loss aggregate under this property treaty is \$1.75 million (See the Plan’s audited financial statements on the website for more details). The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

B. Risk Pool Membership

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

The Plan’s audited financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and net assets at December 31, 2016 and 2015 (the latest information available):

	2016	2015
Assets	\$10,507,059	\$9,313,853
Liabilities	(3,853,671)	(3,956,512)
Net Assets	<u>\$6,653,388</u>	<u>\$5,357,341</u>

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 9 - RISK MANAGEMENT- (Continued)

C. OASBO Workers' Compensation Group Rating Plan

For fiscal year 2017, the Educational Service District participated in the Ohio School Boards Association Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2 A). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Inc. provides administrative, cost control and actuarial services to the GRP.

D. Employee Medical/Dental/Vision Benefits

The Educational Service District is a member of the Ross County Insurance Consortium, a public entity shared risk pool consisting of school districts within the County offering medical, dental and vision insurance to their employees. Monthly premiums are paid to the Ross County Insurance Consortium as fiscal agent, who in turns pays the claims on the Educational Service District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

The Educational Service District is self-insured for dental and vision insurance through Professional Risk Management, a Meritain Health Company. The claims liability of \$5,468 reported in the Internal Service Fund at June 30, 2017 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. Premiums are paid from the same funds that pay the employees' salaries.

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

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2016	\$8,000	\$67,462	\$70,870	\$4,592
2017	4,592	74,696	73,820	5,468

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Educational Service District's contractually required contribution to SERS was \$293,284 for fiscal year 2017. Of this amount \$33,445 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2017, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The Educational Service District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Educational Service District's contractually required contribution to STRS was \$636,896 for fiscal year 2017. Of this amount \$98,414 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service District's proportion of the net pension liability was based on the Educational Service District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.05227850%	0.04205907%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.05424830%</u>	<u>0.04287690%</u>	
Change in Proportionate Share	<u>0.00196980%</u>	<u>0.00081783%</u>	
Proportionate Share of the Net			
Pension Liability	\$3,970,475	\$14,352,191	\$18,322,666
Pension Expense	\$503,012	\$1,120,161	\$1,623,173

At June 30, 2017, the Educational Service District reported deferred outflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$53,552	\$579,898	\$633,450
Net difference between projected and actual investment earnings	327,507	1,191,618	1,519,125
Changes of assumptions	265,051	0	265,051
Changes in proportion and differences between Educational Service			
District contributions and proportionate share of contributions	177,922	234,222	412,144
Educational Service District contributions subsequent to the			
measurement date	<u>293,284</u>	<u>636,896</u>	<u>930,180</u>
Total Deferred Outflows of Resources	<u>\$1,117,316</u>	<u>\$2,642,634</u>	<u>\$3,759,950</u>

\$930,180 reported as deferred outflows of resources related to pension resulting from Educational Service District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$231,931	\$342,522	\$574,453
2019	231,696	342,522	574,218
2020	266,262	799,778	1,066,040
2021	<u>94,143</u>	<u>520,916</u>	<u>615,059</u>
Total	<u>\$824,032</u>	<u>\$2,005,738</u>	<u>\$2,829,770</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The most recent experience study was completed June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Educational Service District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Educational Service District's proportionate share of the net pension liability	\$5,256,661	\$3,970,475	\$2,893,883

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The significant changes include a reduction in the discount rate from 7.75 percent to 7.50 percent, a decrease of wage inflation from 3.25 percent to 3.00 percent, a reduction in investment rate of return from 7.75 percent to 7.50 percent, a reduction of future salary increases, and an adjustment to assumed life expectancies as result of adopting the RP-2014 Blue Collar Mortality Table for the purpose of developing mortality rates.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Educational Service District's proportionate share of the net pension liability	\$19,072,895	\$14,352,191	\$10,369,998

Changes between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to Educational Service District's net pension liability is expected to be significant.

NOTE 11 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2017, the health care allocation is 0 percent. An addition health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service District's contributions assigned to health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$33,445, \$27,380, and \$14,942, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

State Teachers Retirement System

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

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

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. For fiscal year 2017, STRS Ohio did not allocate any employer contributions to post-employment health care. The Educational Service District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$0.

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 12 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from board policy and State laws. Eligible classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. 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 Mutual of Omaha.

C. Deferred Compensation

The Educational Service District employees may participate in the Ohio 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 13 - LONG-TERM LIABILITIES

The changes in the Educational Service District's long-term liabilities during fiscal year 2017 were as follows:

	<u>Outstanding at July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding at June 30, 2017</u>	<u>Amount Due In One Year</u>
<i><u>Governmental Activities:</u></i>					
Net Pension Liability:					
STRS	\$11,623,897	\$2,728,294	\$0	\$14,352,191	\$0
SERS	2,983,062	987,413	0	3,970,475	0
Total Net Pension Liability	14,606,959	3,715,707	0	18,322,666	0
Compensated Absences Payable	308,773	175,982	181,133	303,622	48,581
Total Governmental Activities Long-Term Liabilities	<u>\$14,915,732</u>	<u>\$3,891,689</u>	<u>\$181,133</u>	<u>\$18,626,288</u>	<u>\$48,581</u>

The Educational Service District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the fund, from which the employees' salaries are paid, with the most significant fund being the General Fund.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 14 - CONTINGENCIES

Grants

The Educational Service District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms of conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service District at June 30, 2017.

Litigation

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

NOTE 15 - STATE FUNDING

The Educational Service District is funded by the State Board of Education from State Funds for the cost of Part (A) of the budget. Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM-the total number of pupils under the Educational Service District's supervision) is apportioned by the State Board of Education from the local school districts to which the Educational Service District provides services from payments made under the State's foundation program. Simultaneously, \$27 times the sum of the ADM is paid by the State Board of Education from State Funds to the Educational Service District.

NOTE 16 - OTHER COMMITMENTS

The Educational Service District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At June 30, 2017, the Educational Service District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>June 30, 2017 Commitments</u>
General	\$4,336
IDEA Part B	90,259
Other Governmental Funds	<u>34,450</u>
Total	<u><u>\$129,045</u></u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 17 – FUND BALANCES

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

	<u>General</u>	<u>IDEA Part B</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Restricted:</i>				
<i>Special Revenues:</i>				
Professional Development Grant	\$0	\$0	\$51,307	\$51,307
State Grants	<u>0</u>	<u>0</u>	<u>13,977</u>	<u>13,977</u>
<i>Total Restricted</i>	0	0	65,284	65,284
<i>Committed:</i>				
Termination Benefits	53,596	0	0	53,596
<i>Assigned:</i>				
<i>Encumbrances:</i>				
Special Instruction	582	0	0	582
Instructional Staff	2,774	0	0	2,774
Board of Education	375	0	0	375
Administration	<u>605</u>	<u>0</u>	<u>0</u>	<u>605</u>
<i>Total Assigned</i>	4,336	0	0	4,336
 <i>Unassigned</i>	 <u>3,412,866</u>	 <u>(38,932)</u>	 <u>(31,019)</u>	 <u>3,342,915</u>
 Total Fund Balances	 <u><u>\$3,470,798</u></u>	 <u><u>(\$38,932)</u></u>	 <u><u>\$34,265</u></u>	 <u><u>\$3,466,131</u></u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental			\$428,478	
Tuition			6,193,241	
Charges for Services			341,115	
Interest			36,400	
Gifts and Donations			1,075	
Miscellaneous			217,520	
<i>Total Revenues</i>			<u>7,217,829</u>	
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	85,000	111,450	108,554	2,896
Special	4,183,276	4,663,005	4,399,070	263,935
Other	15,000	15,000	11,022	3,978
<i>Support Services:</i>				
Pupils	1,157,500	1,324,904	1,224,723	100,181
Instructional Staff	920,821	922,425	847,912	74,513
Board of Education	80,100	85,421	64,959	20,462
Administration	409,593	466,856	342,413	124,443
Fiscal	214,200	239,427	236,419	3,008
Operation and Maintenance of Plant	154,539	129,539	106,000	23,539
Central	47,000	139,600	117,306	22,294
<i>Total Expenditures</i>	<u>7,267,029</u>	<u>8,097,627</u>	<u>7,458,378</u>	<u>639,249</u>
Net Change in Fund Balances			(240,549)	
<i>Fund Balance at Beginning of Year</i>			3,734,986	
<i>Prior Year Encumbrances Appropriated</i>			<u>13,463</u>	
<i>Fund Balance at End of Year</i>			<u><u>\$3,507,900</u></u>	

See accompanying notes to the supplementary information.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
IDEA Part B Fund
For the Fiscal Year Ended June 30, 2017*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental			<u>\$1,323,835</u>	
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Support Services:</i>				
Instructional Staff	1,197,427	1,497,246	1,424,125	73,121
Administration	59,395	44,833	40,380	4,453
Fiscal	0	66,700	35,386	31,314
Operation and Maintenance of Plant	<u>27,860</u>	<u>26,860</u>	<u>25,866</u>	<u>994</u>
<i>Total Expenditures</i>	<u>1,284,682</u>	<u>1,635,639</u>	<u>1,525,757</u>	<u>109,882</u>
Net Change in Fund Balances			(201,922)	
<i>Fund Balance at Beginning of Year</i>			(122,790)	
<i>Prior Year Encumbrances Appropriated</i>			<u>58,427</u>	
<i>Fund Balance at End of Year</i>			<u><u>(\$266,285)</u></u>	

See accompanying notes to the supplementary information.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Supplementary Information
For the Fiscal Year Ended June 30, 2017*

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

The Educational Service District is no longer required under State statute to file budgetary information with the State Department of Education. However, the Educational Service District’s Board does follow the budgetary process for control purposes. This is done by adopting an annual appropriation resolution which is the Board’s authorization to spend resources. The resolution sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Budgetary Basis of Accounting

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

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

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>IDEA Part B</u>
Budget Basis	(\$240,549)	(\$201,922)
<i>Adjustments:</i>		
Revenue Accruals	217,672	107,925
Expenditure Accruals	199,691	(28,156)
Encumbrances	4,336	90,259
<i>Prospective Difference:</i>		
Activity of Funds Reclassified for GAAP Reporting Purposes	(26,154)	0
GAAP Basis	<u>\$154,996</u>	<u>(\$31,894)</u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of the District's Proportionate Share of Net Pension Liability
Last Four Measurement Periods (1)

	2016	2015	2014	2013
<u>School Employees Retirement System of Ohio</u>				
District's Proportion of the Net Pension Liability	0.05424830%	0.05227850%	0.05070100%	0.05070100%
District's Proportionate Share of the Net Pension Liability	\$3,970,475	\$2,983,062	\$2,565,949	\$3,015,026
District's Covered Payroll	\$2,224,393	\$1,822,140	\$1,724,776	\$1,504,610
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	178.50%	163.71%	148.77%	200.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%
<u>State Teachers Retirement System of Ohio</u>				
District's Proportion of the Net Pension Liability	0.04287690%	0.04205907%	0.04181549%	0.04181549%
District's Proportionate Share of the Net Pension Liability	\$14,352,191	\$11,623,897	\$10,170,974	\$12,115,598
District's Covered Payroll	\$4,572,693	\$4,572,714	\$4,765,100	\$3,428,454
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	313.87%	254.20%	213.45%	353.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Prior Years Information is Not Available.

Amounts presented as of the Educational Service District's measurement date which is the prior fiscal year end.

Changes in Assumptions : For fiscal year 2017, SERS reported changes of assumptions which included a reduction in the discount rate from 7.75 percent to 7.50 percent, a decrease of wage inflation from 3.25 percent to 3.00 percent, a reduction in investment rate of return from 7.75 percent to 7.50 percent, a reduction of future salary increases, and an adjustment to assumed life expectancies as result of adopting the RP-2014 Blue Collar Mortality Table for the purpose of developing mortality rates.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of the District's Contributions
Last Five Fiscal Years (1)

	2017	2016	2015	2014	2013
<u>School Employees Retirement System of Ohio</u>					
Contractually Required Contributions	\$293,284	\$311,415	\$240,158	\$239,054	\$208,238
Contributions in Relation to the Contractually Required Contributions	(293,284)	(311,415)	(240,158)	(239,054)	(208,238)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's Covered Payroll	\$2,094,886	\$2,224,393	\$1,822,140	\$1,724,776	\$1,504,610
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%
<u>State Teachers Retirement System of Ohio</u>					
Contractually Required Contributions	\$636,896	\$640,177	\$640,180	\$619,463	\$445,699
Contributions in Relation to the Contractually Required Contributions	(636,896)	(640,177)	(640,180)	(619,463)	(445,699)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's Covered Payroll	\$4,549,257	\$4,572,693	\$4,572,714	\$4,765,100	\$3,428,454
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

(1) Prior Years Information is Not Available.

Changes in Assumptions : For fiscal year 2017, SERS reported changes of assumptions which included a reduction in the discount rate from 7.75 percent to 7.50 percent, a decrease of wage inflation from 3.25 percent to 3.00 percent, a reduction in investment rate of return from 7.75 percent to 7.50 percent, a reduction of future salary increases, and an adjustment to assumed life expectancies as result of adopting the RP-2014 Blue Collar Mortality Table for the purpose of developing mortality rates.

Ross-Pike Educational Service District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
U.S. Department of Education:				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies - 2016	S010A150035	84.010	\$ 21,889	608
Title I Grants to Local Educational Agencies - 2017	S010A150035	84.010	60,500	65,140
			<u>82,389</u>	<u>65,748</u>
Special Education Cluster:				
Special Education - Grants to States - 2016	H027A150111	84.027	165,604	101,241
Special Education - Grants to States - 2017	H027A150111	84.027	1,158,231	1,334,257
Special Education - Preschool Grants - 2017	H173A150119	84.173	55,576	56,276
Special Education - Early Learning Grant - 2016	H173A150119	84.173	2,186	-
Special Education - Early Learning Grant - 2017	H173A150119	84.173	93,498	100,353
Special Education Cluster Total			<u>1,475,095</u>	<u>1,592,127</u>
Special Education - State Personnel Development	2016	84.323	21,279	5,917
Special Education - State Personnel Development	2017	84.323	10,000	15,000
			<u>31,279</u>	<u>20,917</u>
Race-to-the-Top - Early Learning Challenge Grant	2016	84.412	9,519	-
Race-to-the-Top - Early Learning Challenge Grant	2017	84.412	2,054	2,054
			<u>11,573</u>	<u>2,054</u>
Total U.S. Department of Education			<u>1,600,336</u>	<u>1,680,846</u>
Total Federal Awards			\$ <u>1,600,336</u>	<u>1,680,846</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Ross-Pike Educational Service District (the "District") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS****INDEPENDENT AUDITORS' REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 20, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE****INDEPENDENT AUDITORS' REPORT**

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

Report on Compliance for Each Major Federal Program

We have audited Ross-Pike Educational Service District's ("District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 20, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements Audited were prepared in accordance with GAAP:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	none
Identification of major programs:	
<i>Special Education Cluster:</i>	
CFDA 84.027 – Special Education-Grants to States	
CFDA 84.173 – Special Education-Preschool Grants	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Schedule of Prior Audit Findings

None.

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Dave Yost • Auditor of State

ROSS – PIKE EDUCATIONAL SERVICE DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 1, 2018**