



**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
ROSS COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State
Betty Montgomery**

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

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Auditor of State Betty Montgomery

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District, Ross County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ross-Pike Educational Service District, Ross County, Ohio, as of June 30, 2004, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

June 15, 2006

Ross-Pike Educational Service District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Ross-Pike Educational Service District's financial performance provides an overall review of the Service District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Service District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Service District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.*" Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the information from this report. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities increased \$123,504 or 4%.
- General revenues accounted for \$792,304 in revenue or 14% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$4,953,020 or 86% of total revenues of \$5,745,324.
- The Service District had \$5,621,820 in expenses related to governmental activities; \$4,953,020 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$792,304 offset the remaining \$668,800 of the cost for these programs.
- The Service District has one major fund; the General Fund. The General Fund had \$5,426,478 in revenues and \$5,048,381 in expenditures and other financing uses. The General Fund's balance increased \$378,097.

USING THIS ANNUAL FINANCIAL REPORT

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Service District, presenting both an aggregate view of the Service District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Service District's major fund with all other non-major funds presented in total in one column.

Ross-Pike Educational Service District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the number of funds used by the Service District to provide programs and activities for students, the view of the Service District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds Most of the Service District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Service District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund

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

Fiduciary Funds

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

Ross-Pike Educational Service District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

THE SERVICE DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Service District as a whole. Table 1 provides a summary of the Service District's net assets for 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$3,777,782	\$3,502,155
Capital Assets	171,232	211,352
Total Assets	3,949,014	3,713,507
Liabilities		
Current and Other Liabilities	528,181	487,163
Long-term Liabilities	147,440	76,455
Total Liabilities	675,621	563,618
Net Assets		
Invested in Capital Assets	171,232	211,352
Restricted	248,080	103,721
Unrestricted	2,854,081	2,834,816
Total Net Assets	\$3,273,393	\$3,149,889

Total net assets of the District as a whole increased \$123,504 due to an increase in cash and cash equivalents.

Ross-Pike Educational Service District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year Ross-Pike Educational Service District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented. This table uses the full accrual method of accounting. The beginning net assets have been restated as described in Note 3 to the basic financial statements.

Table 2
Changes in Net Assets

	Governmental Activities
	<u>2004</u>
Revenues	
Program Revenues	
Charges for Services and Sales	\$3,534,380
Operating Grants and Contributions	1,418,640
Total Program Revenues	<u>4,953,020</u>
General Revenues	
Grants and Entitlements	740,910
Gifts and Donations	15,550
Investment Earnings	28,203
Miscellaneous	7,641
Total General Revenues	<u>792,304</u>
Total Revenues	<u>5,745,324</u>
Program Expenses	
Instruction:	
Regular	90,911
Special	1,803,022
Other	6,892
Support Services:	
Pupil	1,537,745
Instructional Staff	1,538,225
Board of Education	53,149
Administration	363,660
Fiscal	165,012
Operation and Maintenance of Plant	12,727
Pupil Transportation	487
Central	24,186
Operation of Non-Instructional Services	10,354
Extracurricular Activities	2,855
Intergovernmental	12,595
Total Expenses	<u>5,621,820</u>
Increase in Net Assets	123,504
Net Assets, Beginning of Year (Restated)	<u>3,149,889</u>
Net Assets, End of Year	<u>\$ 3,273,393</u>

Ross-Pike Educational Service District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by unrestricted state entitlements. Comparisons to 2003 have not been made since they are not available.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2004</u>	<u>2004</u>
Program Expenses		
Instruction:		
Regular	\$90,911	\$30,059
Special	1,803,022	(450,322)
Other	6,892	3,511
Support Services:		
Pupil	1,537,745	459,500
Instructional Staff	1,538,225	405,077
Board of Education	53,149	19,342
Administration	363,660	128,934
Fiscal	165,012	50,062
Operation and Maintenance of Plant	12,727	5,966
Pupil Transportation	487	487
Central	24,186	7,283
Operation of Non-Instructional Services	10,354	3,593
Extracurricular Activities	2,855	(526)
Intergovernmental	12,595	5,834
Total	<u>\$5,621,820</u>	<u>\$668,800</u>

THE SERVICE DISTRICT FUNDS

The Service District reports one major fund, the General fund. The General fund and all governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$6,107,085 and expenditures and other financing uses of \$5,650,550. The Service District remains financially stable in terms of healthy carryovers and our ability to pay bills.

The largest change in fund balance was in the General fund. The fund balance increased \$378,097 due to an increase in intergovernmental revenue and tuition and fees.

Ross-Pike Educational Service District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

General Fund Budgeting Highlights

The Educational Service District is not required to follow the budgetary provisions set forth in Ohio Rev. Code Section 5705 as the Education Service District does not have local tax levies financing its operations. However, the Governing Board annually adopts an expenditure budget, which sets the spending authority, or appropriations, for each fund for the ensuing fiscal year, and is set at the function level within each fund. Revenues are not budgeted by the Governing Board.

For the General fund, appropriations were \$6,517,714, above original estimates of \$6,371,877. Of this \$145,837 difference, most was due to additional staff hired after the beginning of the year once the needs of the Service District were assessed.

The Service District's ending unobligated General Fund balance was \$2,686,165.

CAPITAL ASSETS

Capital Assets

At the end of fiscal year 2004, the Service District had \$171,232 invested in buildings and improvements, furniture and equipment, and educational media. For additional information on capital assets, see Note 8 to the basic financial statements. Table 4 shows fiscal year 2004 balances compared to 2003.

(Net of Depreciation)

	Governmental Activities	
	2004	2003
Buildings and Improvements	\$3,022	\$3,148
Furniture and Equipment	168,086	207,932
Educational Media	124	272
Totals	\$171,232	\$211,352

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Service District's finances and to show the Service District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Erin Kirby, Treasurer at Ross-Pike Educational Service District, 475 Western Avenue, Chillicothe, Ohio 45601.

Ross-Pike Educational Service District
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,080,917
Cash and Cash Equivalents with Fiscal Agents	106,883
Intergovernmental Receivable	589,982
Depreciable Capital Assets, Net	171,232
<i>Total Assets</i>	<i>3,949,014</i>
Liabilities	
Accounts Payable	14,205
Accrued Wages	417,233
Intergovernmental Payable	55,457
Claims Payable	41,286
Long-Term Liabilities:	
Due Within One Year	15,370
Due In More Than One Year	132,070
<i>Total Liabilities</i>	<i>675,621</i>
Net Assets	
Invested in Capital Assets	171,232
Restricted for:	
Claims	65,597
Other Purposes	182,483
Unrestricted	2,854,081
<i>Total Net Assets</i>	<i>\$3,273,393</i>

See accompanying notes to the basic financial statements

Ross Pike Educational Service District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$90,911	\$60,852	\$0	(\$30,059)
Special	1,803,022	1,168,800	1,084,544	450,322
Other	6,892	3,381	0	(3,511)
Support Services:				
Pupil	1,537,745	992,695	85,550	(459,500)
Instructional Staff	1,538,225	913,419	219,729	(405,077)
Board of Education	53,149	33,807	0	(19,342)
Administration	363,660	218,516	16,210	(128,934)
Fiscal	165,012	102,343	12,607	(50,062)
Operation and Maintenance of Plant	12,727	6,761	0	(5,966)
Pupil Transportation	487	0	0	(487)
Central	24,186	16,903	0	(7,283)
Operation of Non-Instructional				
Services	10,354	6,761	0	(3,593)
Extracurricular Activities	2,855	3,381	0	526
Intergovernmental	12,595	6,761	0	(5,834)
Totals	\$5,621,820	\$3,534,380	\$1,418,640	(668,800)
General Revenues				
Grants and Entitlements not Restricted				
to Specific Programs				740,910
Gifts and Donations not Restricted				
to Specific Programs				15,550
Investment Earnings				28,203
Miscellaneous				7,641
Total General Revenues				792,304
<i>Change in Net Assets</i>				123,504
<i>Net Assets Beginning of Year - See Note 3</i>				3,149,889
<i>Net Assets End of Year</i>				\$3,273,393

See accompanying notes to the basic financial statements

Ross-Pike Educational Service District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,692,629	\$196,611	\$2,889,240
Receivables:			
Intergovernmental	389,362	4,332	393,694
<i>Total Assets</i>	<u>\$3,081,991</u>	<u>\$200,943</u>	<u>\$3,282,934</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$14,020	\$185	\$14,205
Accrued Wages	399,526	17,707	417,233
Deferred Revenue	70,695	0	70,695
Intergovernmental Payable	3,513	323	3,836
<i>Total Liabilities</i>	<u>487,754</u>	<u>18,215</u>	<u>505,969</u>
Fund Balances			
Reserved for Encumbrances	6,065	20,950	27,015
Unreserved, Undesignated, Reported in:			
General Fund	2,588,172	0	2,588,172
Special Revenue Funds	0	161,778	161,778
<i>Total Fund Balances</i>	<u>2,594,237</u>	<u>182,728</u>	<u>2,776,965</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,081,991</u>	<u>\$200,943</u>	<u>\$3,282,934</u>

See accompanying notes to the basic financial statements

Ross-Pike Educational Service District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances		\$ 2,776,965
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		171,232
Some of the Service District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		70,695
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		453,562
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(51,621)
Long-Term Liabilities, including long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(147,440)	
Total		<u>(147,440)</u>
Net Assets of Governmental Activities		<u><u>\$ 3,273,393</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, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental	2,016,047	450,264	2,466,311
Investment Earnings	28,203	0	28,203
Tuition and Fees	3,077,035	133,773	3,210,808
Charges for Services	303,626	19,946	323,572
Gifts and Donations	800	14,750	15,550
Miscellaneous	767	6,874	7,641
<i>Total Revenues</i>	<u>5,426,478</u>	<u>625,607</u>	<u>6,052,085</u>
Expenditures			
Current:			
Instruction:			
Regular	89,630	0	89,630
Special	1,686,707	155,629	1,842,336
Other	6,892	0	6,892
Support Services:			
Pupil	1,427,869	114,578	1,542,447
Instructional Staff	1,214,049	293,776	1,507,825
Board of Education	52,850	0	52,850
Administration	319,398	21,445	340,843
Fiscal	134,538	16,741	151,279
Operation and Maintenance of Plant	11,458	0	11,458
Central	24,186	0	24,186
Operation of Non-Instructional Services	10,354	0	10,354
Extracurricular Activities	2,855	0	2,855
Intergovernmental	12,595	0	12,595
<i>Total Expenditures</i>	<u>4,993,381</u>	<u>602,169</u>	<u>5,595,550</u>
<i>Excess of Revenues Over Expenditures</i>	<u>433,097</u>	<u>23,438</u>	<u>456,535</u>
Other Financing Sources			
Operating Transfers In	0	55,000	55,000
Operating Transfers Out	(55,000)	0	(55,000)
<i>Total Other Financing Sources</i>	<u>(55,000)</u>	<u>55,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	378,097	78,438	456,535
<i>Fund Balances Beginning of Year - As restated (See Note 3)</i>	<u>2,216,140</u>	<u>104,290</u>	<u>2,320,430</u>
<i>Fund Balances End of Year</i>	<u>\$2,594,237</u>	<u>\$182,728</u>	<u>\$2,776,965</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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ 456,535

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

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

Capital Asset Additions	25,150	
Current Year Depreciation	(62,858)	
Total	(37,708)	(37,708)

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

Loss on Disposal of Capital Assets	(2,412)	
Total	(2,412)	(2,412)

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

Intergovernmental	(306,761)	
Total	(306,761)	(306,761)

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

104,272

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

Increase in Compensated Absences	(70,985)	
Increase in Intergovernmental Payable	(19,437)	

Total	(90,422)	(90,422)
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Net Change in Net Assets of Governmental Activities \$ 123,504

See accompanying notes to the basic financial statements

Ross-Pike Educational Service Center
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Budget Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Intergovernmental			\$1,811,089	
Interest			28,203	
Tuition and Fees			3,077,035	
Gifts and Donations			800	
Customer Sales and Services			21,956	
Miscellaneous			<u>281,670</u>	
Total Revenues			<u>5,220,753</u>	
EXPENDITURES:				
Current:				
Instruction:				
Regular	87,181	89,867	89,174	693
Special	1,883,511	1,901,528	1,691,909	209,619
Other	66,207	66,207	7,236	58,971
Support Services:				
Pupils	1,871,689	1,877,991	1,451,727	426,264
Instructional Staff	1,508,772	1,520,969	1,219,462	301,507
Board of Education	106,350	106,350	47,774	58,576
Administration	574,961	569,009	314,621	254,388
Fiscal	164,230	168,817	134,538	34,279
Operation and Maintenance of Plant	41,486	41,486	11,058	30,428
Central	36,440	36,940	18,801	18,139
Operation of Non-Instructional Services:				
Community Services	25,000	25,000	10,354	14,646
Extracurricular Activities:				
Academic Oriented Activities	1,050	5,050	2,105	2,945
Intergovernmental	<u>0</u>	<u>13,500</u>	<u>12,595</u>	<u>905</u>
Total Expenditures	<u>6,366,877</u>	<u>6,422,714</u>	<u>5,011,354</u>	<u>1,411,360</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,366,877)</u>	<u>(6,422,714)</u>	<u>209,399</u>	<u>1,411,360</u>
OTHER FINANCING SOURCES AND (USES):				
Refund of Prior Year Expenditures			767	
Advances In			101,612	
Transfers Out	0	(55,000)	(55,000)	0
Refund of Prior Year Receipts	(5,000)	(5,000)	0	5,000
Advances Out	<u>0</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>0</u>
Total Other Financing Sources and (Uses)	<u>(5,000)</u>	<u>(150,000)</u>	<u>(42,621)</u>	<u>5,000</u>
Net Change in Fund Balances			166,778	
Fund Balance at Beginning of Year			2,503,348	
Prior Year Encumbrances Appropriated			<u>16,039</u>	
Fund Balance at End of Year			<u><u>\$2,686,165</u></u>	

See accompanying notes to the basic financial statements.

Ross-Pike Educational Service District
Statement of Fund Net Assets
Governmental Activities - Internal Service Fund
as of June 30, 2004

	Internal Service Fund
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$191,677
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agents	106,883
Total Current Assets	298,560
Noncurrent Assets:	
Intergovernmental Receivable	196,288
<i>Total Assets</i>	494,848
LIABILITIES:	
Liabilities Paid from Restricted Assets:	
Claims Payable	41,286
<i>Total Liabilities</i>	41,286
NET ASSETS:	
Restricted for Claims	65,597
Unrestricted	387,965
Total Net Assets	\$453,562

See accompanying notes to the basic financial statements

Ross-Pike Educational Service District
*Statement of Revenues, Expenses and
 Changes In Fund Net Assets*
 Governmental Activities - Internal Service Fund
 For the Fiscal Year Ended June 30, 2004

	Internal Service Fund
Operating Revenues:	
Charges for Services	\$482,881
<i>Total Operating Revenue</i>	482,881
Operating Expenses:	
Purchased Services	56,226
Claims Expense	322,383
<i>Total Operating Expenses</i>	378,609
Change in Net Assets	104,272
Net Assets at Beginning of Year - As Restated, See Note 3	349,290
Net Assets at End of Year	\$453,562

See accompanying notes to the basic financial statements

Ross-Pike Educational Service District
Statement of Cashflows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Internal Service Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Transaction with Other Funds	\$482,881
Cash Payments to Suppliers for Services	(56,226)
Cash Payments for Claims	(331,006)
<i>Net Cash Provided by Operating Activities</i>	95,649
<i>Cash Flows from Noncapital Activities:</i>	
Short-term Loan	(7,378)
Cash and Cash Equivalents at Beginning of Year - As Restated, See Note 3	210,289
Cash and Cash Equivalents at End of Year	\$298,560
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
Operating Income	\$104,272
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	(8,623)
<i>Net Cash Provided by Operating Activities</i>	\$95,649
See accompanying notes to the basic financial statements	

Ross-Pike Educational Service District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$67,977</u>
Total Assets	<u><u>67,977</u></u>
Liabilities	
Undistributed Monies	<u>67,977</u>
Total Liabilities	<u><u>\$67,977</u></u>

See accompanying notes to the basic financial statements

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Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

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

The Ross-Pike County Educational Service District operates under a locally-elected Board form of government consisting of five members from Ross County, plus four board members from the Pike County Joint Vocational School, who are elected for staggered four year terms, and two members that are appointed by the nine elected board members. The Educational Service District has 61 support staff employees and 63 certified teaching personnel that provide services to the local and city school districts and the joint vocational schools.

Reporting Entity:

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service District consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service District. For the Ross-Pike County Educational Service District, this includes general operations and student related activities.

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

The Educational Service District is associated with five organizations. The South Central Ohio Computer Association, the Pickaway-Ross Career Technology Center, and the Vern Riffe Career Technology Center are defined as jointly governed organizations. The Ohio School Boards Association Workers’ Compensation Group Rating Plan is defined as an insurance purchasing pool. The Ross County School Employees Insurance Consortium is defined as a claims servicing pool. Information about these organizations are presented in Notes 14 and 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ross-Pike Educational Service District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Educational Service District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the Educational Service District's accounting policies are described below.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds

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

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund

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

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

Proprietary Funds

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

Internal Service Fund

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

Fiduciary Funds

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

C. Measurement Focus and Basis of Accounting

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

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

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

The budgetary process that is followed by the Educational Service District is for control purposes.

The Educational Service District adopts its budget for all funds on or before the start of the new fiscal year. Upon review by the Educational Service District's Board, the annual appropriation resolution is adopted. The annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service District. The total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund must be approved by the Board of Education. During the year, several supplemental appropriations were enacted; however, none of these amendments were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integrations are employed as a management control device during the year for all funds.

E. Cash and Cash Equivalents

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

The Educational Service District participates in a claims servicing pool that pays employee health insurance claims on the Educational Service District's behalf. The balance of the Educational Service District's funds held by the claims administrator and the fiscal agent at June 30, 2004 is presented as "Cash and Cash Equivalents with Fiscal Agents" on the financial statements.

During fiscal year 2004, the Educational Service District investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

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 2004 amounted to \$28,203.

F. Capital Assets and Depreciation

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

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

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

G. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service District's termination policy. The Educational Service District records a liability for accumulated unused sick leave for classified and certified employees after fifteen years of current service with the Educational Service District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employee will be paid.

H. Accrued Liabilities and Long-Term Obligations

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

I. Interfund Activity

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

J. Fund Balance Reserves

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

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Estimates

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

L. Net Assets

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

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

M. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the internal service fund represent cash and cash equivalents with fiscal agents to be used to pay future insurance claims.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For the fiscal year 2004, the Educational Service District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements, and GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences.” GASB Statement No. 34 creates new basic financial statements for reporting on the Educational Service District’s financial activities. The financial statements now include government-wide financial statements prepared on accrual basis of accounting and fund financial statements which present information by major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements combine the governmental activities into one column.

The Educational Service District has also implemented Governmental Accounting Standards Board (GASB) Statement No.39, “Determining Whether Certain Organizations are Component Units.” GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the Educational Service District not being able to present budgetary comparisons for the general fund and each major special revenue fund. This Statement had no effect on the budgetary presentation of the District.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (continued)

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting. The implementation of the Statements requires certain adjustments be recorded to the June 30, 2003, fund balances of major and nonmajor funds of the Educational Service District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Non-Major	Total
Fund Balances, June 30, 2003	\$2,200,613	\$103,967	\$2,304,580
Interpretation 6	12,014	0	12,014
Restatement for Workers' Comp	3,513	323	3,836
<hr/>			
Restated Fund Balances, June 30, 2003	\$2,216,140	\$104,290	\$2,320,430
 Adjustments to Comply with GASB 34:			
Capital Assets			211,352
Compensated Absences			(76,455)
Intergovernmental Payables			(32,184)
Deferred Revenue			377,456
Internal Service Fund			349,290
<hr/>			
Governmental Activities Net Assets June 30, 2003			\$3,149,889
<hr/>			
		Internal Service	
Balance, June 30, 2003		<hr/>	\$355,290
Fund Reclassification Restatement – Virtual Learning		(6,000)	
Balance, July 1, 2003		<hr/>	\$349,290
<hr/>			

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the Educational Service District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$378,097
Revenue Accruals	(103,346)
Expenditure and Other Financing Uses Accruals	(101,505)
Encumbrances	<u>(6,468)</u>
Budget Basis	<u><u>\$166,778</u></u>

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings accounts, including passbook accounts.

Protection of the Educational Service District's 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.

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

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

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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 the interim monies available for investment at any one 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.

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.

At fiscal year end, the Educational Service District had \$25 in undeposited cash on hand which is included on the balance sheet of the Educational Service District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in *GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits At fiscal year end, the carrying amount of the Educational Service District's deposits was \$2,911,845, which includes \$106,883 cash with fiscal agent, and the bank balance was \$3,071,853. Of the bank balance \$166,082 was covered by federal depository insurance and \$2,905,771 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Educational Service District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The Educational Service District's investments are required to be categorized to give an indication of the level of risk assumed by the Educational Service District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service District or its agent in the Educational Service District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Educational Service District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service District's name. Investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Unclassified	Fair / Carrying Value
STAR Ohio	\$343,907	\$343,907
Totals	\$343,907	\$343,907

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in *GASB Statement No. 9, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classifications of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$3,255,777	\$0
Cash on Hand	(25)	0
Investments:		
STAR Ohio	(343,907)	343,907
<i>GASB Statement No. 3</i>	\$2,911,845	\$343,907

NOTE 6 - STATE FUNDING

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

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

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental monies and claims payments made on behalf of other members of the Ross County Insurance Consortium using surplus monies of the Service District. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
School District French and Latin Teachers	\$85,544
School District Intervention Specialists	74,160
Workshops, Training, and Physical Reimbursements	11,063
School District Excess Costs	218,595
Total General Fund	389,362
Non-major Special Revenue:	
Alternative Challenge Grant	4,332
Internal Service Fund:	
Premium in excess of claims	196,288
Total All Funds	\$589,982

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 8 - CAPITAL ASSETS

A summary of the changes in capital assets during fiscal year 2004 follows:

	<u>Ending Balance 06/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 06/30/04</u>
Governmental Activities				
Capital Assets Being Depreciated				
Building and Improvements	\$ 3,790	\$ -	\$ -	\$ 3,790
Furniture and Equipment	440,544	25,150	(8,882)	456,812
Educational Media	861	-	-	861
Total Capital Assets, Being Depreciated	<u>445,195</u>	<u>25,150</u>	<u>(8,882)</u>	<u>461,463</u>
Less Accumulated Depreciation:				
Building and Improvements	(642)	(126)	-	(768)
Furniture and Equipment	(232,612)	(62,584)	6,470	(288,726)
Educational Media	(589)	(148)	-	(737)
Total Accumulated Depreciation	<u>(233,843)</u>	<u>(62,858)</u>	<u>6,470</u>	<u>(290,231)</u>
Total Capital Assets Being Depreciated, Net	<u>211,352</u>	<u>(37,708)</u>	<u>(2,412)</u>	<u>171,232</u>
Governmental Activities Capital Assets, Net	<u>\$ 211,352</u>	<u>\$ (37,708)</u>	<u>\$ (2,412)</u>	<u>\$ 171,232</u>

Depreciation expense was charged to government functions as follows:

Instruction:	
Special	\$21,193
Support Services:	
Pupils	9,542
Instructional Staff	10,068
Board of Education	310
Administration	19,976
Fiscal	161
Operation and Maintenance of Plant	1,121
Pupil Transportation	487
Total Depreciation Expense	<u>\$62,858</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 2004, the Educational Service District contracted with Cincinnati Insurance Company for property insurance. Coverages are as follows:

Building and Contents-replacement cost (\$250 deductible)	\$202,250
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Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 - RISK MANAGEMENT (continued)

B. Risk Pool Membership

The Service District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

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

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available):

	2004	2003
Assets	\$850,065	\$260,932
Liabilities	509,558	172,784
Members' Equity	\$340,507	\$88,148

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

C. Workers' Compensation

For fiscal year 2004, the Educational Service District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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 insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

D. Employee Medical/Dental/Vision Benefits

Medical/surgical, dental and vision insurance is offered to employees through a self-insurance internal service fund. The Educational Service District is a member of a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service District's behalf. The claims liability of \$41,286 reported in the internal service fund at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 - RISK MANAGEMENT (continued)

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2003	\$81,023	\$428,814	\$459,928	\$49,909
2004	49,909	322,383	331,006	41,286

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Educational Service District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service District is required to contribute at an actuarially determined rate. The current Educational Service District rate is 14 percent of annual covered payroll. A portion of the Educational Service District's contribution used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The Educational Service District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$134,536, \$112,346, and \$43,489 respectively; 78 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$29,972 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

The Educational Service District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614)227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

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

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

A Defined Benefit or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service District was required to contribute 14 percent. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service District's required contributions for pension obligations to STRS for fiscal years ended June 30, 2004, 2003, and 2002 were \$364,766, \$248,217, and \$238,823 respectively; which is the required contribution for those years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Educational Service District, this amount equaled \$28,059 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Educational Service District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$111,579.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of the annual health care expenses, before premium deduction. Gross expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

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

C. Deferred Compensation

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

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the Educational Service District's long-term obligations during fiscal year 2004 were as follows:

	Amount Outstanding 6/30/03	Additions	Deletions	Amount Outstanding 6/30/04	Amount Due in One Year
Compensated Absences	\$ 76,455	\$ 147,440	\$ 76,455	\$ 147,440	\$ 15,370

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

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The Educational Service District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Brown, Pike, Scioto, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, and one representative from the fiscal agent. The Educational Service District paid SCOCA \$18,367 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio 45661.

Pickaway-Ross Career Technology Center - The Pickaway-Ross Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, and the Educational Service District, each of which possesses its own budgeting and taxing authority. During fiscal year 2004, the Educational Service District made no contributions to the Pickaway-Ross Career Technology Center. To obtain financial information write to the Pickaway-Ross Career Technology Center, Ben Van Horn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

NOTE 15 - INSURANCE PURCHASING POOL AND CLAIMS SERVICING POOL

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

Ross County School Employees Insurance Consortium - The Educational Service District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool for medical/surgical, dental, and vision insurance and an insurance purchasing pool for life insurance. The consortium consists of fourteen school districts within Ross County and its surrounding area. The Educational Service District participates in the Medical/surgical and life insurance which is administered through a third party administrator, Klais and Company. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District, 19463 Pherson Pike, Williamsport, Ohio 43164-9745.

NOTE 16 - CONTINGENCIES

A. Grants

The Educational Service District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service District at June 30, 2004.

B. Litigation

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

NOTE 17 - SUPREME COURT CASE DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State's compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

The Educational Service District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Ross-Pike Educational Service District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 18 –INTERFUND ACTIVITY

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

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$0	\$55,000
<i>Non-Major Funds:</i>		
Ross County Alternative	<u>55,000</u>	<u>0</u>
Total All Funds	<u>\$55,000</u>	<u>\$55,000</u>

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ross-Pike Educational Service District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 15, 2006, wherein we noted that the District implemented Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 15, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated June 15, 2006, we reported other matters related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Ross-Pike Educational Service District
Ross County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 15, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
AUGUST 8, 2006**