



**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2001 - 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types - As of June 30, 2001 and 2000 .....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2001 .....	4
Combined Statement of Receipts - Budget and Actual - All Budgeted Fund Types - For the Fiscal Year Ended June 30, 2001 .....	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - All Budgeted Fund Types - For the Fiscal Year Ended June 30, 2001 .....	6
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2000 .....	8
Combined Statement of Receipts - Budget and Actual - All Budgeted Fund Types - For the Fiscal Year Ended June 30, 2000 .....	9
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - All Budgeted Fund Types - For the Fiscal Year Ended June 30, 2000 .....	10
Notes to the Financial Statements .....	13
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	21
Schedule of Findings .....	23

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Gallia-Vinton Educational Service Center  
Gallia County  
P.O. Box 178  
Rio Grande, Ohio 45674

To the Governing Board:

We have audited the accompanying financial statements of the Gallia-Vinton Educational Service Center, Gallia County, Ohio (the Educational Service Center), as of and for the years ended June 30, 2001 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03(B) requires the Educational Service Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the Educational Service Center prepares and files its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Gallia-Vinton Educational Service Center, Gallia County, as of June 30, 2001 and 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2001, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Governing Board and management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

October 31, 2001

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND  
CASH BALANCES  
ALL FUND TYPES  
AS OF JUNE 30, 2001 AND 2000**

	<b>2001</b>	<b>2000</b>
Cash	\$211,245	\$171,199
Investments		
STAROhio	72,182	68,128
<b>Total</b>	<b>\$283,427</b>	<b>\$239,327</b>

**CASH BALANCES BY FUND TYPE**

Governmental Funds:		
General Fund	267,714	221,736
Special Revenue Funds	15,713	17,591
<b>Total</b>	<b>\$283,427</b>	<b>\$239,327</b>

*The notes to the financial statements are an integral part of this statement.*

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Receipts from Local Sources:			
Earnings on Investments	\$ 14,030	\$	\$ 14,030
Receipts from Intermediate Sources:			
Unrestricted Grants-In-Aid	2,594		2,594
Receipts from State Sources:			
Unrestricted Grants-In-Aid	323,852	11,842	335,694
Receipts from Federal Sources:			
Restricted Grants-In-Aid		28,761	28,761
Revenue for/on Behalf of the District	23,493		23,493
Total Cash Receipts	363,969	40,603	404,572
<b>Cash Disbursements:</b>			
Instruction:			
Special		3,761	3,761
Support Services:			
Pupils	148,374	6,667	155,041
Instructional Staff	25,906	31,385	57,291
Board of Education	30,136		30,136
Administration	97,961		97,961
Fiscal Services	11,870		11,870
Pupil Transportation			
Central	4,669	668	5,337
Total Cash Disbursements	318,916	42,481	361,397
Total Cash Receipts Over/(Under) Cash Disbursements	45,053	(1,878)	43,175
<b>Other Financing Sources:</b>			
Refund of Prior Year Expenditures	925		925
Total Other Financing Sources	925	0	925
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	45,978	(1,878)	44,100
Fund Cash Balances, July 1	221,736	17,591	239,327
<b>Fund Cash Balances, June 30</b>	<b>\$ 267,714</b>	<b>\$ 15,713</b>	<b>\$ 283,427</b>

*The notes to the financial statements are an integral part of this statement.*



**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental</b>			
General	\$ 364,894	\$ 364,894	\$ 0
Special Revenue	<u>40,603</u>	<u>40,603</u>	<u>0</u>
<b>Totals (Memorandum Only)</b>	<b><u>\$ 405,497</u></b>	<b><u>\$ 405,497</u></b>	<b><u>\$ 0</u></b>

*The notes to the financial statements are an integral part of this statement.*

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<b>Governmental</b>			
General	\$ 9,687	\$ 468,124	\$ 477,811
Special Revenue		58,194	58,194
<b>Totals (Memorandum Only)</b>	<b><u>\$ 9,687</u></b>	<b><u>\$ 526,318</u></b>	<b><u>\$ 536,005</u></b>

*The notes to the financial statements are an integral part of this statement.*

<u>Disbursements</u>	<u>Encumbrances Outstanding 06/30/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 318,916	\$ 12,179	\$ 331,095	\$ 146,716
<u>42,481</u>	<u></u>	<u>42,481</u>	<u>15,713</u>
<u><b>\$ 361,397</b></u>	<u><b>\$ 12,179</b></u>	<u><b>\$ 373,576</b></u>	<u><b>\$ 162,429</b></u>

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Receipts from Local Sources:			
Earnings on Investments	\$ 12,397	\$	\$ 12,397
Miscellaneous	231		\$231
Receipts from Intermediate Sources:			
Unrestricted Grants-In-Aid	730		730
Receipts from State Sources:			
Unrestricted Grants-In-Aid	321,616		321,616
Restricted Grants-In-Aid		9,370	9,370
Receipts from Federal Sources:			
Restricted Grants-In-Aid		25,000	25,000
Revenue for/on Behalf of the District	14,671		14,671
	<u>349,645</u>	<u>34,370</u>	<u>384,015</u>
<b>Total Cash Receipts</b>			
	<u>349,645</u>	<u>34,370</u>	<u>384,015</u>
<b>Cash Disbursements:</b>			
Support Services:			
Pupils	172,001	18,333	190,334
Instructional Staff	42	173	215
Board of Education	29,838		29,838
Administration	102,310	531	102,841
Fiscal Services	15,616		15,616
Pupil Transportation	540		540
Central	6,336	1,951	8,287
	<u>326,683</u>	<u>20,988</u>	<u>347,671</u>
<b>Total Cash Disbursements</b>			
	<u>326,683</u>	<u>20,988</u>	<u>347,671</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>22,962</u>	<u>13,382</u>	<u>36,344</u>
<b>Other Financing Sources:</b>			
Refund of Prior Year Expenditures	1,216		1,216
	<u>1,216</u>	<u>0</u>	<u>1,216</u>
<b>Total Other Financing Sources</b>			
	<u>1,216</u>	<u>0</u>	<u>1,216</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	24,178	13,382	37,560
Fund Cash Balances, July 1	197,558	4,209	201,767
	<u>197,558</u>	<u>4,209</u>	<u>201,767</u>
<b>Fund Cash Balances, June 30</b>	<u>\$ 221,736</u>	<u>\$ 17,591</u>	<u>\$ 239,327</u>

*The notes to the financial statements are an integral part of this statement.*

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental</b>			
General	\$ 351,911	\$ 350,861	\$ (1,050)
Special Revenue	<u>34,370</u>	<u>34,370</u>	<u>0</u>
<b>Totals (Memorandum Only)</b>	<b><u>\$ 386,281</u></b>	<b><u>\$ 385,231</u></b>	<b><u>\$ (1,050)</u></b>

*The notes to the financial statements are an integral part of this statement.*

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<b>Governmental</b>			
General	\$ 7,648	\$ 534,273	\$ 541,921
Special Revenue		<u>38,579</u>	<u>38,579</u>
<b>Totals (Memorandum Only)</b>	<u>\$ 7,648</u>	<u>\$ 572,852</u>	<u>\$ 580,500</u>

*The notes to the financial statements are an integral part of this statement.*

<u>Disbursements</u>	<u>Encumbrances Outstanding 06/30/00</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 326,683	\$ 9,687	\$ 336,370	\$ 205,551
<u>20,988</u>	<u></u>	<u>20,988</u>	<u>17,591</u>
<u><b>\$ 347,671</b></u>	<u><b>\$ 9,687</b></u>	<u><b>\$ 357,358</b></u>	<u><b>\$ 223,142</b></u>

**This page intentionally left blank.**



**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 31, 2001 AND 2000**

**1. DESCRIPTION OF THE ENTITY**

The Educational Service Center is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Educational Service Center is an Educational Service Center as defined by Ohio Revised Code § 3311.05, and is located in Rio Grande, Ohio. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Gallia County and Vinton County local school districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board form of government consisting of 3 members elected from Vinton County and 4 members elected from Gallia County. Management believes the financial statements included in this report represent all of the funds over which the Educational Service Center has the ability to exercise direct operating control.

The Educational Service Center is associated with the Southeast Ohio Voluntary Educational Consortium, which is defined as a jointly governed organization, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 6 and 7.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to file its annual financial report pursuant to accounting principles generally accepted in the United States of America, the Educational Service Center chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the Educational Service Center in a Fiscal Caution Status. This status requires the Educational Service Center to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

**B. Pooled Cash and Investments**

Except for amounts held by STAROHIO, the Educational Service Center's Treasurer invests available funds in interest-bearing checking accounts.

The Educational Service Center also has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. 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.

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Pooled Cash and Investments (Continued)**

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 STAR Ohio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

**C. Fund Accounting**

The Educational Service Center maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds.

The restrictions associated with each type of fund are as follows:

**Governmental Fund Types:**

**General Fund**

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

**Special Revenue Funds**

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of Ohio Rev. Code § 3317.11, and entails preparation of budgetary documents within an established timetable.

The Educational Service Center legally adopts its budget on or before July 1. Included in that budget are the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Governing Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the actual beginning of the fiscal year fund balances and are accepted by the Governing Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process**

In the first quarter of each fiscal year, the Educational Service Center summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget consists of three parts. Part (A) includes entitlement funding from the State for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Department of Education. Part (B) includes the costs of all other lawful expenditures of the Educational Service Center. Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Department of Education reviews the budget and certifies to each local Board of Education under the supervision of the Educational Service Center the amount from Part (B) that is to be apportioned to their District.

**Appropriations**

The annual appropriation resolution is legally enacted by the Educational Service Center at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service Center. The appropriation resolution, by fund, must be within the estimated resources, and 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 any total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Governing Board.

The Educational Service Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion for the applicable appropriation and to determine and maintain legal compliance.

**Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**F. Accumulated Unpaid Vacation and Sick Leave**

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 2. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 2001.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The Educational Service Center maintains a cash and investment pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type."

State statutes classify monies held by the Educational Service Center 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 Center 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 Governing Board 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 or deposit accounts including passbook accounts.

Protection of the Educational Service Center's deposits is provided by the Federal Deposit Insurance Corporation, 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.

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days 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 with five years from the date of purchase unless matched to a specific obligation or debt of the Educational Service Center, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits* - At June 30, 2001, the carrying amount of the Educational Service Center's deposits was \$211,245, and the bank balance was \$213,970. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$113,970 was collateralized by securities held by a third party bank in the Educational Service Center's name. At June 30, 2000, the carrying amount of the Educational Service Center's deposits was \$171,199, and the bank balance was \$177,809. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$77,809 was collateralized by securities held by a third party bank in the Educational Service Center's name.

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

*Investments* - Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001 and 2000. The Educational Service Center's investment in STAROhio not categorizable under GASB Statement 3, because it is not evidenced by securities that exist in physical or book entry form.

	2001		2000	
<u>Investment:</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
STAROhio	<u>\$72,182</u>	<u>\$72,182</u>	<u>\$68,128</u>	<u>\$68,128</u>

**4. RISK MANAGEMENT**

The Educational Service Center 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 years ending June 30, 2001 and 2000, the Educational Service Center contracted with Nationwide Insurance Company for property insurance coverage. The policies include a \$500 deductible.

Professional and general liability is protected by the Nationwide Insurance Company with a \$1,000,000 single occurrence limit with \$5,000,000 aggregate and no deductible. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The Educational Service Center pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

The Educational Service Center provides a comprehensive health insurance plan with Nationwide Insurance for all eligible employees. The Educational Service Center pays 100% of the single premium and 90% of the family premium. The monthly premium for this coverage is \$705 for family and \$261.13 for individual. This insurance provides prescription drug insurance which utilizes prescription deductibles of \$12 for generic and \$20 for name brand drugs.

Dental coverage is provided through Anthem (Blue Cross/Blue Shield Association). The Educational Service Center pays 100% of the premium for certified employees and 100% for non-certified employees. Monthly premiums for this coverage are \$42.46 and \$27.54, respectively for family and/or single coverage.

**5. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**5. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used 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 Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$11,113, \$11,063, and \$8,982 respectively. 100 percent has been contributed for fiscal years 2001, 2000, and 1999.

**B. State Teachers Retirement System**

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$15,101, \$14,476, and \$13,627, respectively. 100 percent has been contributed for fiscal years 2001, 2000, and 1999.

**6. JOINTLY GOVERNED ORGANIZATION**

**Southeast Ohio Voluntary Educational Consortium (SEOVEC)**

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium 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. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC's governing board is selected by the member districts.

SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**7. INSURANCE PURCHASING POOL**

**Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan**

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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.

**8. CONTINGENCIES**

**Litigation**

There are currently no matters in litigation with the Educational Service Center as defendant.

**9. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 31, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

As of the date of these financial statements, the Educational Service Center is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Gallia-Vinton Educational Service Center  
Gallia County  
P.O. Box 178  
Rio Grande, Ohio 45674

To the Governing Board:

We have audited the financial statements of the Gallia-Vinton Educational Service Center, Gallia County, Ohio (the Educational Service Center), as of and for the years ended June 30, 2001 and 2000 and have issued our report thereon dated October 31, 2001, wherein we noted that the Educational Service Center had not adopted accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Educational Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-10727-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management and the Governing Board, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

October 31, 2001

**This page intentionally left blank.**

**GALLIA-VINTON EDUCATIONAL SERVICE CENTER  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**Finding Number 2001-10727-001**

**Noncompliance Citation**

Ohio Admin. Code Section 117-2-03(B) requires the Educational Service Center to file its annual financial report pursuant to accounting principles generally accepted in the United States of America.

The Educational Service Center prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The Educational Service Center can be fined and various other legal administrative remedies may be taken against the Educational Service Center.

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the Educational Service Center in a Fiscal Caution Status. This status requires the Educational Service Center to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

We recommend the Educational Service Center take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**GALLIA-VINTON EDUCATIONAL SERVICES CENTER**

**GALLIA 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  
NOVEMBER 27, 2001**