



**Auditor of State
Betty Montgomery**

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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 Service Center), as of and for the year ended June 30, 2002. These financial statements are the responsibility of the 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 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 accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes 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 and investments and combined fund cash balances of the Gallia-Vinton Educational Service Center, Gallia County, as of June 30, 2002, 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 February 4, 2004, on our consideration of the 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.

Gallia-Vinton Educational Service Center
Gallia County
Independent Accountants' Report
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This report is intended solely for the information and use of management and the Governing Board 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.

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

Betty Montgomery
Auditor of State

February 4, 2004

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

**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2002**

Cash	\$ 179,250
Investments:	
STAROhio	<u>74,006</u>
Total	<u><u>\$ 253,256</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General	\$ 235,522
Special Revenue	14,437
Capital Projects	<u>3,297</u>
Total	<u><u>\$ 253,256</u></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, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDING JUNE 30, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
RECEIPTS:				
Intergovernmental Receipts	\$ 213,583	\$ 21,923	\$ 3,297	\$ 238,803
Earnings on Investments	8,614			8,614
Charges for Services	114,388			114,388
Miscellaneous Receipts	12,366			12,366
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts	348,951	21,923	3,297	374,171
	<hr/>	<hr/>	<hr/>	<hr/>
DISBURSEMENTS:				
Supporting Services:				
Pupils	161,429			161,429
Instructional Staff	35,706	20,323		56,029
Board of Education	45,199			45,199
Administration	113,675			113,675
Fiscal Services	18,598			18,598
Support Services - Business				-
Operation and Maintenance - Plant				-
Pupil Transportation	570			570
Central	5,966	2,876		8,842
	<hr/>	<hr/>	<hr/>	<hr/>
Total Disbursements	381,143	23,199	-	404,342
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Receipts Over/(Under) Disbursements	(32,192)	(1,276)	3,297	(30,171)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances - July 1	267,714	15,713	0	283,427
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances - June 30	<u>\$ 235,522</u>	<u>\$ 14,437</u>	<u>\$ 3,297</u>	<u>\$ 253,256</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 YEAR ENDED JUNE 30, 2002**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General	\$ 348,951	\$ 348,951	\$
Special Revenue	21,923	21,923	
Capital Projects	3,297	3,297	
Totals (Memorandum Only)	<u>\$ 374,171</u>	<u>\$ 374,171</u>	<u>\$</u>

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

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

**COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH
EXPENDITURE AUTHORITY
ALL BUDGETED FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>	<u>Disbursements</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:					
General	\$ 12,179	\$ 520,017	\$ 532,196	\$ 381,143	\$ 151,053
Special Revenue		35,637	35,637	23,199	12,438
Capital Projects		3,297	3,297		3,297
Totals (Memorandum Only)	\$ 12,179	\$ 558,951	\$ 571,130	\$ 404,342	\$ 166,788

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE ENTITY

The Gallia-Vinton Educational Service Center, Gallia County (the 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 Service Center is an Educational Service Center as defined by Ohio Revised Code § 3311.05, and is located in Rio Grande, Ohio. The Service Center supplies supervisory, special education, administrative, and other services to the Gallia County and Vinton County local school districts. The Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

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

The Service Center is associated with the Southeast Ohio Voluntary Educational Consortium, Gallia-Jackson-Vinton Joint Vocational School District and Gallia County Local School District which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Note 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).

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

B. Pooled Cash and Investments

The Service Center's Treasurer invests all available funds of the Service Center in interest-bearing checking accounts.

The 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 YEAR ENDED JUNE 30, 2002
(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 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 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 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.

Capital Projects Fund

The Capital Projects Fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

D. Budgetary Process

Upon review by the Service Center's Governing Board, the annual appropriation resolution is adopted. The annual appropriation resolution is enacted by the Service Center at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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.

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, 2002.

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 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 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 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Protection of the 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.

- a. 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;
- b. 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;
- c. 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;
- d. Bonds and other obligations of the State of Ohio;
- e. 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;
- f. The State Treasurer's investment pool (STAROhio);
- g. 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,
- h. 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 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, 2002, the carrying amount of the Service Center's deposits was \$179,250, and the bank balance was \$190,166. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$90,166 was collateralized by securities held by a third party bank in the Service Center's name.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(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, 2002. The 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.

	2002	
	Carrying Value	Market Value
Investment:		
STAROhio	\$74,006	\$74,006

4. RISK MANAGEMENT

The 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 year ending June 30, 2002, the 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 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 Service Center provides a health and major medical and prescription drug coverage for all eligible employees through United Health Care. The 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.

Dental coverage is provided through Anthem (Blue Cross/Blue Shield Association). The 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 Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(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 Service Center is required to contribute at an actuarially determined rate. The current Service Center rate is 14 percent of annual covered payroll. A portion of the Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001 (the latest information available), 4.2 percent of annual covered salary was the portion 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 Service Center's required contributions for pension obligations to SERS for the years ended June 30, 2002, 2001, and 2000 were \$4,806, \$11,113, and \$11,063, respectively. 93.3 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

B. State Teachers Retirement System

The 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 year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The Service Center was required to contribute 14 percent. For the year ended June 30, 2001 (the latest information available), 9.5 percent was the portion used to fund pension obligations.

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 Service Center's required contributions for pension obligations to STRS for the years ended June 30, 2002, 2001, and 2000 were \$13,672, \$24,821, and \$18,525, respectively. 91.1 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

6. POST EMPLOYMENT BENEFITS

The Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2001 (the latest information available), the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Service Center, this amount equaled \$6,476 for fiscal year 2002.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. POST EMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3,256 million. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll. 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 the year ended June 30, 2002, the minimum pay was established at \$12,400. For the Service Center, the amount contributed to fund health care benefits, including the surcharge, during 2002 equaled \$7,518.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

7. JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOL

A. Jointly Governed Organizations

Southeastern Ohio Voluntary Education Cooperative (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 34 participants consisting of 30 school districts and 4 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 Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

Gallia-Jackson Vinton Joint Vocational School District - Gallia-Jackson-Vinton Joint Vocational School District is a district political subdivision of the State of Ohio operated under the direction of a Board comprised of eleven members appointed by the participating schools, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, Donalyn Smith, who serves as Treasurer, at 351 Buckeye Hills Road, Rio Grande, Ohio 45674.

Gallia County Local School District - Gallia County Local School District is a jointly governed organization providing educational services as authorized by State statute and/or federal guidelines. The School District is governed by a locally-elected Board of Education comprised of five members. The Board controls the financial activity of the School District's eight (8) instructional support facilities and reports to the Department of Education and the Gallia County Local School District, Sandra Foster, who serves as Treasurer, at 230 Shawnee Lane, Gallipolis, Ohio 45631.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOL

B. Public Entity Risk Pool

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

The 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

A. Grants

The Service Center 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 are 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 Service Center at June 30, 2002.

B. Litigation

The Service Center currently has a pending lawsuit. However, the Service Center's management believes that this lawsuit will not have a material effect on their financial statements.

9. STATE SCHOOL FUNDING 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 decision 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..."

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



**Auditor of State
Betty Montgomery**

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

Gallia-Vinton Educational Service Center
Gallia County
PO 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 Service Center), as of and for the year ended June 30, 2002, and have issued our report thereon dated February 4, 2004, wherein we noted the Service Center prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). 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 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 is described in the accompanying Schedule of Findings as item 2002-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

February 4, 2004

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the Service Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Service Center prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, which material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the Service Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Service Center has hired an independent public accountant (IPA) to compile its June 30, 2003 statements in accordance with generally accepted accounting principles basis.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2001-001	Ohio Admin. Code Section 117-2-03(B) was cited because the Service Center did not file its annual financial report pursuant to accounting principles generally accepted in the United States of America.	No	Partially. The Service Center contracted with an IPA to implement GAAP/GASB 34 commencing fiscal year 2003.



**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

GALLIA-VINTON EDUCATIONAL SERVICE 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
MARCH 16, 2004**