



**Auditor of State  
Betty Montgomery**



**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
LICKING COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Licking County Educational Service Center  
Licking County  
675 Price Road  
Newark, Ohio 43055

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 Licking County Educational Service Center, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2004, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center'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 *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Licking County Educational Service Center, Licking County, Ohio, as of June 30, 2004, and the respective changes in financial position 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 Center 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 February 14, 2005, on our consideration of the 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of 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**

February 14, 2005

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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

### **Financial Highlights**

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

- Net assets of governmental activities increased \$248,962.
- General revenues accounted for \$649,339 in revenue or 10 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,100,207, 90 percent of total revenues of \$6,749,546.
- Total assets of governmental activities increased \$236,728 due to the Educational Service Center increasing their program costs and providing additional special education services to their local school districts.
- The Educational Service Center had \$6,500,584 in expenses related to governmental activities; \$6,100,207 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$649,339 were adequate to provide for these activities.
- The Educational Service Center's general fund is the only major fund. The general fund had \$6,257,391 in revenues and \$5,989,762 in expenditures. The general fund's balance increased \$267,629.

### **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 Licking County Educational Service Center 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 Educational Service Center, presenting both an aggregate view of the Educational Service Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational Service Center's most significant fund with all other non-major funds presented in total in one column.

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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***Reporting the Educational Service Center as a Whole***

**Statement of Net Assets and Statement of Activities**

While this document contains information about the funds used by the Educational Service Center to provide programs and activities for School Districts, the view of the Educational Service Center 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 Educational Service Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Assets and the Statement of Activities, all of the Educational Service Center's activities are reported as governmental including instruction and support services.

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

***Fund Financial Statements***

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

***Governmental Funds*** The Educational Service Center'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 Educational Service Center'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.



**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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**The Educational Service Center as a Whole**

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

**Table I**  
**Net Assets**

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Current and Other Assets	\$2,239,571	\$1,973,013
Capital Assets	<u>208,198</u>	<u>238,028</u>
Total Assets	<u>2,447,769</u>	<u>2,211,041</u>
<b>Liabilities</b>		
Long-Term Liabilities	(198,012)	(211,715)
Other Liabilities	<u>(654,367)</u>	<u>(652,898)</u>
Total Liabilities	<u>(852,379)</u>	<u>(864,613)</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	174,933	195,108
Restricted	43,624	35,363
Unrestricted	<u>1,376,833</u>	<u>1,115,957</u>
<b>Total Net Assets</b>	<u><u>\$1,595,390</u></u>	<u><u>\$1,346,428</u></u>

Total assets increased \$236,728. The majority of the increase was due to an increase in cash and cash equivalents of \$143,606 and in intergovernmental receivables of \$115,401. During fiscal year 2004, the Educational Service Center increased its charges for services in addition to providing more special education services to the local school districts.

Total liabilities decreased \$12,234. This decrease was due to a decrease in matured capital leases payable of \$12,584.

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year the Licking County Educational Service Center 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.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities - 2004
<b>Revenues</b>	
Program Revenues	
Charges for Services	\$4,258,753
Operating Grants and Contributions	1,841,454
	6,100,207
General Revenue	
Grants and Entitlements	640,691
Investment Earnings	6,648
Miscellaneous	2,000
	649,339
Total Revenues	6,749,546
<b>Program Expenses</b>	
Instruction	
Regular	18,609
Special	1,761,273
Support Services	
Pupil	1,026,643
Instructional Staff	2,745,783
Board of Education	9,800
Administration	516,451
Fiscal	197,609
Business	9,855
Operation and Maintenance of Plant	123,672
Pupil Transportation	266
Central	87,685
Interest and Fiscal Charges	2,938
Total Expenses	6,500,584
<b>Increase in Net Assets</b>	<b>\$248,962</b>

During fiscal year 2004, the Educational Service Center showed an increase in net assets of \$248,962. However, the Educational Service Center relies heavily upon special education programs and services provided to local school districts. As long as the charges for services do not exceed the local school districts' ability or willingness to continue to purchase special education services revenues should continue to increase.

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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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. In other words, it identifies the cost of those services supported by unrestricted entitlements. Comparisons to 2003 have not been made since they are not available.

**Table 3**  
**Governmental Activities**

	2004 <u>Total Cost of Services</u>	2004 <u>Net Cost of Services</u>
Program Expenses		
Instruction:		
Regular	\$18,609	\$3,813
Special	1,761,273	(690,851)
Support Services:		
Pupil	1,026,643	439,380
Instructional Staff	2,745,783	(130,479)
Board of Education	9,800	9,800
Administration	516,451	408,248
Fiscal	197,609	191,927
Business	9,855	9,855
Operation and Maintenance of Plant	123,672	75,249
Pupil Transportation	266	266
Central	87,685	80,231
Interest and Fiscal Charges	2,938	2,938
<b>Totals</b>	<u><u>\$6,500,584</u></u>	<u><u>\$400,377</u></u>

Special instruction programs comprise approximately 27 percent of total governmental program expenses while support services comprise approximately 73 percent of total governmental program expenses. Of the support services expenses, approximately 22 percent is for pupils, 58 percent for instructional staff, and 11 percent for administration. The difference in support service expenses to instruction expenses is based upon the charges for the service of one on one aides for special education students.

**The Educational Service Center's Major Fund**

The Educational Service Center's major fund (general fund) is accounted for using the modified accrual basis of accounting. The major fund had total revenues of \$6,257,391 and expenditures of \$5,989,762.

**General Fund Budgeting Highlights**

Under Ohio law Educational Service Centers are no longer required to prepare a budget. Therefore, at June 30, 2004 a budgetary statement is not presented within the basic financial statements because the Board did not approve estimated revenues or adopt appropriations.

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2004, the Educational Service Center had \$208,198 invested in furniture, fixtures, equipment and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

**Table 4**  
**Capital Assets at June 30, 2004**  
**(Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2004</u>	<u>2003</u>
Furniture, Fixtures and Equipment	\$207,602	\$236,922
Vehicles	596	1,106
<b>Totals</b>	<b><u>\$208,198</u></b>	<b><u>\$238,028</u></b>

See Note 8 for more detailed information of the Educational Service Center's capital assets.

*Debt*

At June 30, 2004, the Educational Service Center had \$33,265 in capital leases outstanding. See Note 14 for more detailed information of the Educational Service Center's debt.

*Economic Factors*

The Licking County Educational Service Center's net assets increased by \$248,962, however, as the preceding information shows, the Educational Service Center relies heavily on the special education services it provides to its local school districts. Special education service charges are based upon the actual cost of the service divided by the number of students who will benefit from the service. The financial positions of the local school districts who contract for special education services with the Educational Service Center will continue to have an impact on the increase or decrease in revenues of the Educational Service Center.

**Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, districts, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Ellen Towner, Treasurer at the Licking County Educational Service Center, 675 Price Road, Newark, Ohio 43055. You may also E-mail the treasurer at [etowner@laca.org](mailto:etowner@laca.org).

**Licking County Educational Service Center, Ohio**

*Statement of Net Assets*

*June 30, 2004*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$771,116
Prepaid Items	48,534
Accounts Receivable	9,842
Intergovernmental Receivable	1,409,159
Materials and Supplies Inventory	920
Depreciable Capital Assets, Net	<u>208,198</u>
<i>Total Assets</i>	<u>2,447,769</u>
<b>Liabilities</b>	
Matured Interest Payable	106
Matured Capital Leases Payable	346
Accounts Payable	15,830
Accrued Wages and Benefits Payable	513,645
Accrued Interest Payable	109
Intergovernmental Payable	124,331
Long-Term Liabilities:	
Due Within One Year	91,297
Due In More Than One Year	<u>106,715</u>
<i>Total Liabilities</i>	<u>852,379</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	174,933
Restricted for Other Purposes	43,624
Unrestricted	<u>1,376,833</u>
<i>Total Net Assets</i>	<u><u>\$1,595,390</u></u>

See accompanying notes to the basic financial statements

**Licking County Educational Service Center, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2004*

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				Governmental Activities
<b>Instruction:</b>				
Regular	\$18,609	\$0	\$14,796	(\$3,813)
Special	1,761,273	1,479,521	972,603	690,851
<b>Support Services:</b>				
Pupil	1,026,643	584,469	2,794	(439,380)
Instructional Staff	2,745,783	2,108,690	767,572	130,479
Board of Education	9,800	0	0	(9,800)
Administration	516,451	86,073	22,130	(408,248)
Fiscal	197,609	0	5,682	(191,927)
Business	9,855	0	0	(9,855)
Operation and Maintenance of Plant	123,672	0	48,423	(75,249)
Pupil Transportation	266	0	0	(266)
Central	87,685	0	7,454	(80,231)
Interest and Fiscal Charges	2,938	0	0	(2,938)
<b>Totals</b>	<b>\$6,500,584</b>	<b>\$4,258,753</b>	<b>\$1,841,454</b>	<b>(\$400,377)</b>

**General Revenues**

Grants and Entitlements not Restricted to Specific Programs	640,691
Investment Earnings	6,648
Miscellaneous	2,000
<b>Total General Revenues</b>	<b>649,339</b>
<i>Change in Net Assets</i>	248,962
<i>Net Assets Beginning of Year - See Note 3</i>	1,346,428
<i>Net Assets End of Year</i>	<b>\$1,595,390</b>

See accompanying notes to the basic financial statements

**Licking County Educational Service Center, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2004*

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	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$683,109	\$88,007	\$771,116
Accounts Receivable	7,842	2,000	9,842
Intergovernmental Receivable	1,387,048	22,111	1,409,159
Prepaid Items	45,919	2,615	48,534
Materials and Supplies Inventory	920	0	920
Total Assets	<u>\$2,124,838</u>	<u>\$114,733</u>	<u>\$2,239,571</u>
<b>Liabilities</b>			
Matured Interest Payable	\$106	\$0	\$106
Matured Capital Leases Payable	346	0	346
Accounts Payable	15,830	0	15,830
Accrued Wages and Benefits	476,184	37,461	513,645
Deferred Revenue	1,252,888	0	1,252,888
Intergovernmental Payable	69,299	4,758	74,057
Total Liabilities	<u>1,814,653</u>	<u>42,219</u>	<u>1,856,872</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	21,237	5,666	26,903
Unreserved, Undesignated, Reported in:			
General Fund	288,948	0	288,948
Special Revenue Funds	0	66,848	66,848
Total Fund Balances	<u>310,185</u>	<u>72,514</u>	<u>382,699</u>
Total Liabilities and Fund Balances	<u>\$2,124,838</u>	<u>\$114,733</u>	<u>\$2,239,571</u>

See accompanying notes to the basic financial statements

**Licking County Educational Service Center, Ohio**  
*Reconciliation of the Governmental Funds Balance Sheet to  
the Statement of Net Assets  
June 30, 2004*

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**Total Governmental Fund Balances** \$382,699

*Amounts reported for governmental activities in the statement of net assets are different because of the following:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 208,198

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Intergovernmental Receivable	20,643	
Tuition and Fees	<u>1,232,245</u>	1,252,888

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds. (50,274)

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Accrued Interest Payable	(109)	
Capital Leases Payable	(33,265)	
Compensated Absences	<u>(164,747)</u>	<u>(198,121)</u>

Net Assets of Governmental Activities \$1,595,390

See accompanying notes to the basic financial statements



**Licking County Educational Service Center, Ohio**  
*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
<b>Revenues</b>			
Intergovernmental	\$1,946,265	\$449,696	\$2,395,961
Interest	6,648	0	6,648
Tuition and Fees	4,293,453	0	4,293,453
Contributions and Donations	11,025	54,516	65,541
Miscellaneous	0	2,000	2,000
Total Revenues	<u>6,257,391</u>	<u>506,212</u>	<u>6,763,603</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	2,305	14,118	16,423
Special	1,572,897	177,236	1,750,133
Support Services:			
Pupils	1,027,420	1,624	1,029,044
Instructional Staff	2,497,054	226,303	2,723,357
Board of Education	9,745	0	9,745
Administration	520,648	1,237	521,885
Fiscal	189,793	5,818	195,611
Business	9,855	0	9,855
Operation and Maintenance of Plant	68,260	48,334	116,594
Central	80,092	7,112	87,204
Debt Service:			
Principal Retirement	8,994	661	9,655
Interest and Fiscal Charges	2,699	236	2,935
Total Expenditures	<u>5,989,762</u>	<u>482,679</u>	<u>6,472,441</u>
Net Change in Fund Balances	267,629	23,533	291,162
Fund Balances Beginning of Year - Restated (Note 3)	42,556	48,981	91,537
Fund Balances End of Year	<u>\$310,185</u>	<u>\$72,514</u>	<u>\$382,699</u>

See accompanying notes to the basic financial statements

**Licking County Educational Service Center, Ohio**  
*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*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$291,162</b>
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*Amounts reported for governmental activities in the statement of activities  
are different because*

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

Capital Asset Additions	13,878	
Depreciation Expense	(37,138)	(23,260)

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 disposal of capital assets.

(6,570)

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

Tuition and Fees	(34,700)	
Grants	20,643	(14,057)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

9,655

In the statement of activities interest is accrued on outstanding leases, whereas in governmental funds, interest is expended when due.

(3)

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.

Intergovernmental Payable	(12,013)	
Compensated Absences Payable	4,048	(7,965)

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<i>Change in Net Assets of Governmental Activities</i>	<b><u>\$248,962</u></b>
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See accompanying notes to the basic financial statements

## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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### **NOTE 1 - REPORTING ENTITY**

The Licking County Educational Service Center (the Educational Service Center) is located in Newark, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, cooperative classes, multi-handicapped preschool, and other services to Johnstown-Monroe, Licking Heights, Lakewood, Licking Valley, North Fork, Northridge, and Southwest Licking Local School Districts, Granville Exempted Village School District, Newark and Heath City School Districts, and the Career and Technology Education Centers of Licking County. 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 Licking County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service Center has 64 support staff employees and 68 certified personnel that provide services to the school districts.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the Educational Service Center are not misleading.

#### **A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Licking County Educational Service Center, this includes general operations and student related activities.

#### **B. Component Units**

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center 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 Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The Educational Service Center participates in the Licking Area Computer Association, the Career and Technology Education Centers of Licking County, the Central Ohio Special Education Regional Resource Center, the Coalition of Rural and Appalachian Schools, the Metropolitan Educational Council, the School Study Council of Ohio, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan, which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 15 and 16.

## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

The financial statements of the Educational Service Center have been prepared in conformity with generally accepted accounting principles (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 Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Educational Service Center's accounting policies are described below.

#### **A. Basis Of Presentation**

The Educational Service Center'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 Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center. 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 Center.

**Fund Financial Statements** During the fiscal year, the Educational Service Center segregates transactions related to certain Educational Service Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds. The Educational Service Center's major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

#### **B. Fund Accounting**

The Educational Service Center 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. There are three categories of funds: governmental, proprietary, and fiduciary.

# LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

**General Fund** The general fund is the operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund.

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

**Proprietary Fund Types** 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 Center has no proprietary funds.

**Fiduciary Fund Type** 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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center has no fiduciary funds.

## **C. Measurement Focus**

**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 Center are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (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, expenditures 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.

## **D. 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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**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. 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 Center, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On the accrual basis, 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 Center must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before eligibility requirements are met are 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.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The purpose of the measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### **E. Budgetary Data**

No budgetary information is presented because the Board did not approve estimated revenues or adopt appropriations. Under Ohio law Educational Service Centers are no longer required to prepare a budget.

### **F. Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds are maintained in these accounts or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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During fiscal year 2004, investments were limited to repurchase agreements and State Treasury Asset Reserve of Ohio (STAR Ohio). Repurchase agreements are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004. Following Ohio statutes, the Board of Education 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 \$6,648, which includes \$1,140 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

### **G. Receivables and Payables**

Receivables and payables to be recorded on the Educational Service Center's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### **I. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/ expended when used.

### **J. Capital Assets**

The Educational Service Center's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; 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.

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:

**LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5-30 years
Vehicles	30 years

**K. Compensated Absences**

Vacation 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 Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees with more than three months of service.

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 Center 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 Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after eleven years of current service with the Educational Service Center.

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

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

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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 during the current year. Capital leases are recognized as a liability on the governmental fund financial statements when due.

**M. Fund Balance Reserves**

The Educational Service Center records reservations for 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 are established for encumbrances.



## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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### **N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include state and federal grants restricted to expenditures for specified purposes.

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

### **O. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and reductions of expenditures in the fund that is reimbursed.

### **P. Estimates**

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

### **NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

*Changes in Accounting Principles* For fiscal year 2004, the Educational Service Center has implemented 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 Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences", and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

GASB Statement No. 34 creates new basic financial statements for reporting on the Educational Service Center's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 39, further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of this new statement had no effect on the Educational Service Center's financial statements for fiscal year 2004.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

GASB Statement No. 41 allows 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 Center not being able to present budgetary comparisons for the general and each major special revenue fund. This statement had no effect for fiscal year 2004.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003 and the conversion to the accrual basis of accounting.

**Restatement of Fund Balance** The implementation of GASB 34 and Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General Fund</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balance, June 30, 2003	\$17,574	\$48,981	\$66,555
Interpretation 6:			
Compensated Absences Payable	<u>24,982</u>	<u>0</u>	<u>24,982</u>
Adjusted Fund Balance, June 30, 2003	<u>\$42,556</u>	<u>\$48,981</u>	<u>91,537</u>
GASB 34 Adjustments:			
Capital Assets			238,028
Intergovernmental Payable			(38,261)
Accrued Interest Payable			(106)
Long-Term Liabilities			(211,715)
Long-Term (Deferred) Assets			<u>1,266,945</u>
Governmental Activities Net Assets, June 30, 2003			<u>\$1,346,428</u>

**NOTE 4 – ACCOUNTABILITY**

The following fund had a deficit fund balance at June 30, 2004.

<u>Special Revenue Fund:</u>	<u>Excess</u>
Miscellaneous State Grants	\$2,590

The deficit in the special revenue fund was the result of expenditures being made in excess of revenues. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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 Center'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 money 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. Bond 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) 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 (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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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 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 qualified trustee 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 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 Center's deposits was (\$303,925) and the bank balance was \$74,284. All of the bank balance was covered by federal depository insurance.

**Investments:** The Educational Service Center's investments are categorized below to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Educational Service Center'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 Center's name. The Educational Service Center's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying and Fair Value</u>
Repurchase Agreement	\$763,744	\$763,744
STAR Ohio		<u>311,297</u>
Totals		<u><u>\$1,075,041</u></u>

The classification of cash and cash equivalents and investments on the combined 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 combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

**LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$771,116	\$0
Investments of the Cash Management Pool:		
Repurchase Agreements	(763,744)	763,744
STAR Ohio	<u>(311,297)</u>	<u>311,297</u>
 GASB Statement 3	 <u><u>(\$303,925)</u></u>	 <u><u>\$1,075,041</u></u>

**NOTE 6 - STATE FUNDING**

The Educational Service Center, under state law, provides supervisory services to the local school districts within its territory. Each city and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's local and client school districts based on each school's total student count. The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of local and client school districts agree to the services and the apportionment of the costs to all of the local and client school districts.

The Educational Service Center also receives funding from the State Department of Education in the amount of \$37 times the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all local school districts within the Educational Service Center's territory and all of the Educational Service Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Education Service Center's local and client school districts an amount equal to \$6.50 times the school district's total student count and remits this amount to the Educational Service Center.

The Educational Service Center may contract with city, exempted village, local, joint vocational, or cooperative education school districts to provide special education and related services or career-technical education services. The individual boards of education pay the costs for these services directly to the Educational Service Center.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004, consisted of charges for services, excess costs, and intergovernmental grants. All receivables are considered collectible in full due the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<b><u>Governmental Activities</u></b>	
Excess Costs	\$1,239,064
Public Preschool Grant	21,886
Child Assault Prevention Reimbursement	225
CAFS	136,186
Other	11,798
Total	<u><u>\$1,409,159</u></u>

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
<b>Depreciable Capital Assets</b>				
Furniture, Fixtures and Equipment	\$362,709	\$13,878	(\$13,656)	\$362,931
Vehicles	15,311	0	0	15,311
Total at Historical Cost	<u>378,020</u>	<u>13,878</u>	<u>(13,656)</u>	<u>378,242</u>
Less Accumulated Depreciation				
Furniture, Fixtures and Equipment	(125,787)	(36,628)	7,086	(155,329)
Vehicles	<u>(14,205)</u>	<u>(510)</u>	0	<u>(14,715)</u>
Total Accumulated Depreciation	<u>(139,992)</u>	<u>(37,138)</u>	<u>7,086</u>	<u>(170,044)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>238,028</u>	<u>(23,260)</u>	<u>(6,570)</u>	<u>208,198</u>
Governmental Activities Capital Assets, Net	<u><u>\$238,028</u></u>	<u><u>(\$23,260)</u></u>	<u><u>(\$6,570)</u></u>	<u><u>\$208,198</u></u>

- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	2,186
Special	11,752
Support Services:	
Pupil	1,303
Instructional Staff	4,512
Administration	9,427
Fiscal	280
Operation and Maintenance	7,492
Central	186
Total Depreciation Expense	<u><u>\$37,138</u></u>

## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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### **NOTE 9 - RISK MANAGEMENT**

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the Educational Service Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 16)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

Personal Property	\$543,400
Equipment (\$1,000 deductible)	100,000
Underground Water Seepage (\$1,000 deductible)	25,000
Accounts Receivable (\$1,000 deductible)	250,000
Extra Expense (\$1,000 deductible)	50,000
Automobile Liability (\$250 deductible comprehensive and \$500)	1,000,000
Uninsured Motorists (\$250 deductible comprehensive and \$500)	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
Educational Legal Liability	
Errors and Omissions	
Per Occurrence (\$2,500 deductible)	1,000,000
Aggregate Limit	2,000,000
Employment Practices	
Per Occurrence (\$2,500 deductible)	1,000,000
Aggregate Limit	2,000,000

Settled claims have not exceeded coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2004, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center 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 & Co. provides administrative, cost control and actuarial services to the GRP.

## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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### **NOTE 10 - DEFINED BENEFIT PENSION PLANS**

#### **A. State Teachers Retirement System**

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

A DB 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. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$460,424, \$443,185 and \$253,789 respectively; 89.1% has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$7,961 made by the Educational Service Center and \$13,613 made by the plan members.



## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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### **B. School Employees Retirement System**

The Educational 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 43215-3476.

Plan members are required to contribute 10 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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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 Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$122,149, \$92,271 and \$48,189, respectively; 87% percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. \$15,583 represents the unpaid contribution for fiscal 2004.

### **NOTE 11 - POST-EMPLOYMENT BENEFITS**

The Educational Service Center 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 retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$36,030 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 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.

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.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 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 fiscal year 2004, the minimum pay was established at \$25,400. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$91,837.

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 annual health care expenses. Expenses for health care at 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 receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administration employees earn twenty to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 200 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

**B. Insurance Benefits**

The Educational Service Center provides health and major medical insurance for all eligible employees through Medical Mutual of Ohio. The Educational Service Center pays medical and drug monthly premiums of up to \$425 maximum per person. Premiums are paid from the same funds that pay the employees' salaries. The Educational Service Center also provides dental and prescription drug insurance to its employees through the same insurance carrier. The Educational Service Center pays a dental premium of up to \$82.24 maximum per person for family coverage. The Educational Service Center requires the employees to contribute \$5 for single coverage and \$10 for family coverage towards their total dental premium. The Educational Service Center also provides life insurance in the amount of \$40,000 through Unum Life Insurance Company at a cost of \$6 per employee per month.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

The Educational Service Center has entered into a capitalized lease for photo-copying equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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The agreement provides for minimum annual lease payments as follows:

Year Ending June 30,	Total
2005	\$12,698
2006	12,590
2007	8,629
2008	<u>3,633</u>
Total minimum lease payments	37,550
Less: Amount representing interest	<u>(4,285)</u>
Present value of minimum lease	<u><u>\$33,265</u></u>

Principal payments in fiscal year 2004 totaled \$9,655 in the governmental funds.

Property under Capital Lease	\$52,176
Less: Accumulated Depreciation	<u>(21,203)</u>
Total June 30, 2004	<u><u>\$30,973</u></u>

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	Outstanding 6/30/2003	Additions	Deletions	Outstanding 6/30/2004	Due Within One Year
Compensated Absences	\$168,795	\$105,973	\$110,021	\$164,747	\$80,875
Capital Leases	<u>42,920</u>	<u>0</u>	<u>9,655</u>	<u>33,265</u>	<u>10,422</u>
Total Long-Term Obligations	<u><u>\$211,715</u></u>	<u><u>\$105,973</u></u>	<u><u>\$119,676</u></u>	<u><u>\$198,012</u></u>	<u><u>\$91,297</u></u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the general fund and the special revenue handicapped preschool fund.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Licking Area Computer Association**

The Educational Service Center is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. 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 LACA consists of the superintendents from all participating

## LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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districts.

The continued existence of LACA is not dependent on the Educational Service Center's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The Educational Service Center's payments to LACA for computer services for fiscal year 2004 were \$17,108. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

### **B. Career and Technology Education Centers of Licking County**

The Career and Technology Education Centers of Licking County is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of three board members from the Licking County Educational Service Center, two from the Newark City School District, one from the Heath City School District, and one from the Granville Exempted Village School District, which possesses its own budgeting and taxing authority. The Educational Service Center's payments to the Career and Technology Education Centers of Licking County for services for fiscal year 2004 were \$3,330. To obtain financial information write to the Career and Technology Education Centers of Licking County, Cory Thompson, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

### **C. Central Ohio Special Education Regional Resource Center**

The Central Ohio Educational Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The Educational Service Center has a cooperative agency agreement with COSERRC. There is no financial commitment by the Educational Service Center for its participation in the COSERRC. The District is represented on the governing board by a district member. Nothing was paid to COSERRC during fiscal year 2004. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

### **D. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over a hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various inservice for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or financial responsibility for the Council. The Educational Service Center's membership fee was \$300 for fiscal year 2004.

### **E. Metropolitan Educational Council**

The Educational Service Center participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The

**LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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Educational Service Center does not participate in the insurance purchasing pool. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county.

Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The Educational Service Center's membership payment to MEC for fiscal year 2004 was \$300. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

**F. School Study Council of Ohio**

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board). The Council is comprised of 81 member organizations. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. School districts may elect to be associate members which entitles them to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2004, the Board consisted of fourteen members. In fiscal year 2004, the Licking Educational Service Center obtained active membership privileges and paid a membership fee of \$300.

**NOTE 16 - INSURANCE PURCHASING POOLS**

**A. Ohio School Boards Association 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.

**B. Ohio School Plan**

The Education Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 17 - CONTINGENCIES**

**A. Grants**

The Educational 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 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 Center at June 30, 2004.

**B. Litigation**

The Educational Service Center is currently not party to any litigation.

**NOTE 18 – STATE SCHOOL FUNDING**

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 Educational 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***

Licking County Educational Service Center  
Licking County  
675 Price Road  
Newark, Ohio 43055

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 Licking County Educational Service Center, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2004, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 14, 2005, in which we noted the Center adopted 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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.

Licking County Educational Service Center  
Licking County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management, and the Board of Education, 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 14, 2005





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
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800-282-0370

Facsimile 614-466-4490

**LICKING COUNTY EDUCATIONAL SERVICE CENTER**

**LICKING 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 17, 2005**