



**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

Lake County Educational Service Center  
Lake County  
30 South Park Place  
Suite 320  
Painesville, Ohio 44077

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake County Educational Service Center, Lake 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 117-2-03 (B) requires the Center to prepare its annual financial report in accordance with generally accepted accounting principles in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

As described more fully in Note 2 to the accompanying financial statements, the Center restated the Fund balances as of June 30, 2003.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake County Educational Service Center, Lake County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General, IDEA and Telecommunity Funds for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The aforementioned revision to generally accepted accounting principles also requires the Center to include Management's Discussion and Analysis for the year ended June 30, 2004. The Center has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The federal awards receipts and expenditure schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

July 28, 2006

**LAKE COUNTY EDUCATIONAL SERVICE CENTER**  
**LAKE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2004**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$ 888,157</u>
<b>Total Assets</b>	<u><u>\$ 888,157</u></u>
<b>Net Assets</b>	
Restricted for:	
Special Revenue	\$ 362,511
Capital Projects	7,140
Other Purposes	94,470
Unrestricted	<u>424,036</u>
<b>Total Net Assets</b>	<u><u>\$ 888,157</u></u>

The accompanying notes are an integral part of the basic financial statements.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash	Charges	Operating	
	Disbursements	for Services and Sales	Grants and Contributions	Total
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 541,867	\$ 825,865	\$ 416,944	\$ 700,942
Special	1,768,931	-	72,092	(1,696,839)
Vocational	244,094	-	107,252	(136,842)
Support Services:				
Pupil	1,538,160	-	-	(1,538,160)
Instructional Staff	1,353,467	-	227,799	(1,125,668)
Board of Education	34,904	-	-	(34,904)
Administration	1,894,981	-	892,902	(1,002,079)
Fiscal	224,151	-	3,000	(221,151)
Operation and Maintenance of Plant	303,091	-	54,876	(248,215)
Pupil Transportation	45,382	-	-	(45,382)
Central	339,079	-	-	(339,079)
Non-Instructional Services:				
Other	818,051	-	-	(818,051)
Extracurricular Activities:				
Academic and Subject Oriented	-	109,645	-	109,645
Sport-Oriented	21,520	-	21,520	-
<b>Total Governmental Activities</b>	<b>\$ 9,127,678</b>	<b>\$ 935,510</b>	<b>\$ 1,796,385</b>	<b>(6,395,783)</b>
<b>General Receipts</b>				
Grants and entitlements not restricted to specific program				2,457,390
Interest				6,171
Miscellaneous				3,803,519
<b>Total General Receipts</b>				<b>6,267,080</b>
Change in Net Assets				(128,703)
Net Assets Beginning of Year -as restated				1,016,860
Net Assets End of Year				<b>\$ 888,157</b>

The accompanying notes are an integral part of the basic financial statements.



**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	General	IDEA Fund	Telecommunity Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 94,294	\$ 183,109	\$ 92,519	\$ 146,734	\$ 516,656
<b>Total Assets</b>	<u>\$ 94,294</u>	<u>\$ 183,109</u>	<u>\$ 92,519</u>	<u>\$ 146,734</u>	<u>\$ 516,656</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	\$ 41,756	\$ 8,412	\$ 11,663	\$ 32,636	\$ 94,467
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	52,538	-	-	-	52,538
Special Revenue Funds	-	174,697	80,856	106,958	362,511
Capital Projects Funds	-	-	-	7,140	7,140
<b>Total Fund Balances</b>	<u>\$ 94,294</u>	<u>\$ 183,109</u>	<u>\$ 92,519</u>	<u>\$ 146,734</u>	<u>\$ 516,656</u>

The accompanying notes are an integral part of the basic financial statements.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

**Total Governmental Fund Balances** \$ 516,656

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

One internal service fund is used by management to charge  
the costs of insurance to individual funds. The assets and  
liabilities of the internal service fund are included in  
governmental activities in the statement of net assets.

371,501

*Net Assets of Governmental Activities*

\$ 888,157

The accompanying notes are an integral part of the basic financial statements.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	General	IDEA Fund	Telecommunity Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Restricted Grants	\$ 151,635	\$ 865,617	\$ 159,494	\$ 547,547	\$ 1,724,293
Unrestricted Grants	2,457,390	-	-	-	2,457,390
Interest	6,171	-	-	-	6,171
Tuition	819,451	-	-	6,414	825,865
Extracurricular Activities	1,172	-	-	11,402	12,574
Miscellaneous	3,155,953	-	-	26,817	3,182,770
Total Receipts	<u>6,591,772</u>	<u>865,617</u>	<u>159,494</u>	<u>592,180</u>	<u>8,209,063</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	19,172	-	78,084	444,611	541,867
Special	1,723,218	42,980	-	2,733	1,768,931
Vocational	220,440	-	-	23,654	244,094
Support Services:					
Pupil	1,514,035	-	-	24,125	1,538,160
Instructional Staff	1,106,164	74,051	5,352	168,400	1,353,967
Board of Education	34,904	-	-	-	34,904
Administration	1,111,150	739,797	-	44,034	1,894,981
Fiscal	215,901	5,250	-	3,000	224,151
Operation and Maintenance of Plant	266,278	24,876	-	11,937	303,091
Pupil Transportation	11,418	-	-	33,964	45,382
Central	338,405	-	-	674	339,079
Extracurricular Activities:					
Sports Oriented	-	-	-	21,520	21,520
Total Disbursements	<u>6,561,085</u>	<u>886,954</u>	<u>83,436</u>	<u>778,652</u>	<u>8,310,127</u>
Excess of Receipts Over (Under) Disbursements	<u>30,687</u>	<u>(21,337)</u>	<u>76,058</u>	<u>(186,472)</u>	<u>(101,064)</u>
<b>Other Financing Sources (Uses)</b>					
Advances In	-	-	-	30,000	30,000
Advances Out	(30,000)	-	-	-	(30,000)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balances	687	(21,337)	76,058	(156,472)	(101,064)
<b>Fund Balances Beginning of Year - as restated</b>	<u>93,607</u>	<u>204,446</u>	<u>16,461</u>	<u>303,206</u>	<u>617,720</u>
<b>Fund Balances End of Year</b>	<u>\$ 94,294</u>	<u>\$ 183,109</u>	<u>\$ 92,519</u>	<u>\$ 146,734</u>	<u>\$ 516,656</u>

The accompanying notes are an integral part of the basic financial statements.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$ (101,064)

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

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

(27,639)

*Changes in Net Assets of Governmental Activities*

\$ (128,703)

The accompanying notes are an integral part of the basic financial statements.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenue</b>				
Tuition and Fees	\$ 885,500	\$ 885,500	\$ 819,451	\$ (66,049)
Restricted Grants	152,430	152,430	151,635	(795)
Unrestricted Grants	2,501,510	2,501,510	2,457,390	(44,120)
Earnings on Investment	6,150	6,150	6,171	21
Extracurricular Activities	1,200	1,200	1,172	(28)
Miscellaneous	2,708,734	3,180,615	3,155,332	(25,283)
Total Revenues	6,255,524	6,727,405	6,591,151	(136,254)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	17,870	19,172	19,172	-
Special	1,609,675	1,726,968	1,724,998	1,970
Vocational	209,735	225,018	220,969	4,049
Support Services:				
Pupil	1,417,225	1,520,493	1,518,313	2,180
Instructional Staff	1,035,550	1,111,002	1,108,811	2,191
Board of Education	48,590	52,128	52,118	10
Administration	1,042,130	1,118,069	1,114,697	3,372
Fiscal	215,530	231,233	223,494	7,739
Operation and Maintenance of Plant	250,205	268,438	266,478	1,960
Pupil Transportation	28,000	30,050	11,505	18,545
Central	321,014	344,408	342,286	2,122
Total Expenditures	6,195,524	6,646,979	6,602,841	44,138
Excess of Revenues Over (Under) Expenditures	60,000	80,426	(11,690)	(92,116)
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Years Expenditures	625	625	621	(4)
Advances Out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	(29,375)	(29,375)	(29,379)	(4)
Net Change in Fund Balance	30,625	51,051	(41,069)	(92,120)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	27,044	27,044	27,044	-
<b>PRIOR YEAR ENCUMBRANCES - APPROPRIATED</b>	66,563	66,563	66,563	-
<b>FUND BALANCES - END OF YEAR</b>	\$ 124,232	\$ 144,658	\$ 52,538	\$ (92,120)

The accompanying notes are an integral part of the basic financial statements

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
IDEA FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenue</b>				
Restricted Grants	\$ 936,857	\$ 865,617	\$ 865,617	\$ -
Total Revenues	936,857	865,617	865,617	-
<b>Expenditures</b>				
Current:				
Instruction:				
Special	42,980	42,980	42,980	-
Support Services:				
Instructional Staff	131,146	131,146	82,380	48,766
Administration	935,088	863,848	739,880	123,968
Fiscal	5,250	5,250	5,250	-
Operation and Maintenance of Plant	26,839	26,839	24,876	1,963
Total Expenditures	1,141,303	1,070,063	895,366	174,697
Excess of Revenues Over (Under) Expenditures	(204,446)	(204,446)	(29,749)	174,697
Net Change in Fund Balance	(204,446)	(204,446)	(29,749)	174,697
<b>FUND BALANCES - BEGINNING OF YEAR</b>	204,446	204,446	204,446	-
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ -	\$ 174,697	\$ 174,697

The accompanying notes are an integral part of the basic financial statements

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
TELECOMMUNITY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenue</b>				
Restricted Grants	\$ 110,789	\$ 159,494	\$ 159,494	\$ -
Total Revenues	110,789	159,494	159,494	-
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	107,351	156,056	89,747	66,309
Support Services:				
Instructional Staff	19,899	19,899	5,352	14,547
Total Expenditures	127,250	175,955	95,099	80,856
Excess of Revenues Over (Under) Expenditures	(16,461)	(16,461)	64,395	80,856
Net Change in Fund Balance	(16,461)	(16,461)	64,395	80,856
<b>FUND BALANCES - BEGINNING OF YEAR</b>	16,461	16,461	16,461	-
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ -	\$ 80,856	\$ 80,856

The accompanying notes are an integral part of the basic financial statements

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2004**

	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 145,195
Cash with Fiscal Agent	<u>226,306</u>
Total Assets	<u><u>\$ 371,501</u></u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 371,501</u>
Total Net Assets	<u><u>\$ 371,501</u></u>

The accompanying notes are an integral part of the basic financial statements.



**LAKE COUNTY EDUCATIONAL SERVICE CENTER**  
**LAKE COUNTY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Activities - Internal Service Fund <hr style="width: 100%;"/>
<b>Operating Receipts:</b>	
Charges for Services	\$ 620,133
Extracurricular Activities	97,071
Miscellaneous	23,156
Total Operating Receipts	<hr style="width: 100%;"/> 740,360 <hr style="width: 100%;"/>
<b>Operating Disbursements:</b>	
Salaries and Wages	3,240
Retirement and Insurance	604,796
Purchased Services	207,986
Supplies and Materials	16,701
Other	8,605
Total Operating Disbursements	<hr style="width: 100%;"/> 841,328 <hr style="width: 100%;"/>
<b>Operating Loss</b>	<hr 100%;"="" style="width: 100%;/&gt;(100,968)&lt;hr style=" width:=""/>
<b>Non-Operating Revenues:</b>	
Miscellaneous	1,237
Intergovernmental Revenue	72,092
Total Non-Operating Revenues	<hr style="width: 100%;"/> 73,329 <hr style="width: 100%;"/>
<b>Excess of Disbursements Over Receipts</b>	<hr 100%;"="" style="width: 100%;/&gt;(27,639)&lt;hr style=" width:=""/>
<b>Changes in Net Assets</b>	(27,639)
<b>Net Assets Beginning Year - as restated</b>	<hr style="width: 100%;"/> 399,140 <hr style="width: 100%;"/>
<b>Net Assets End of Year</b>	<hr style="width: 100%;"/> \$ 371,501 <hr style="width: 100%;"/>

The accompanying notes are an integral part of the basic financial statements.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Activity Internal Service
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 97,071
Cash Received from Charges for Services	620,133
Cash Received from Other Operating Sources	23,156
Cash Payments to Suppliers for Goods and Services	(224,687)
Cash Payments to Employees for Services	(3,240)
Cash Payments for Employee Benefits	(604,796)
Cash Payments for Others	<u>(8,605)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(100,968)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Grants Received	72,092
Miscellaneous	<u>1,237</u>
	73,329
Net Increase (Decrease) in Cash and Cash Equivalents	(27,639)
Cash and Cash Equivalents Beginning of Year	<u>399,140</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 371,501</u></u>

The accompanying notes are an integral part of the basic financial statements

**LAKE COUNTY EDUCATIONAL SERVICE CENTER**  
**LAKE COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2004**

	Agency	Private Purpose Trust	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 121,575	\$ 393	\$ 121,968
 <b>Net Assets</b>			
Unrestricted	\$ 121,575	\$ 393	\$ 121,968

The accompanying notes are an integral part of the basic financial statements

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Agency	Private Purpose Trust	Total
<b>Operating Receipts</b>			
Earnings on Investments	\$ -	\$ 359	\$ 359
Taxes	5,686,718	-	5,686,718
State Unrestricted Grant	1,682,613	-	1,682,613
Miscellaneous	1,296,556	-	1,296,556
Total Operating Receipts	<u>8,665,887</u>	<u>359</u>	<u>8,666,246</u>
<b>Operating Disbursements</b>			
Purchased Services	413	-	413
SERRC Distribution	1,208,488	-	1,208,488
Miscellaneous	7,337,028	600	7,337,628
Total Operating Disbursements	<u>8,545,929</u>	<u>600</u>	<u>8,546,529</u>
<b>Excess of Operating Disbursements Over (Under) Operating Receipts</b>	119,958	(241)	119,717
<b>Net Assets - Beginning of Year-as restated</b>	<u>1,617</u>	<u>634</u>	<u>2,251</u>
<b>Net Assets - End of Year</b>	<u>\$ 121,575</u>	<u>\$ 393</u>	<u>\$ 121,968</u>

The accompanying notes are an integral part of the basic financial statements

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004**

**1. DESCRIPTION OF THE CENTER AND REPORTING ENTITY**

The Lake County Educational Service Center (the "Center"), formerly the Lake County Board of Education, is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a local county school District as defined by Section 3311.05 of the Ohio Revised Code. The Center operates under a five member elected Board of Education and is responsible for the provision of public education to residents of the District.

The Center is located in Lake County. The Center serves five local school districts: Painesville Township Local School District, Painesville City Local School District, Kirtland Local School District, Madison Local School District and Perry Local School District.

The Center employed 139 certificated employees and 54 non-certificated employees.

**FINANCIAL REPORTING ENTITY**

The Center adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The financial statements include all the organizations, activities, functions and component units for which the Center (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the Center's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Center.

On this basis, the financial statements of the Lake County School Financing District have been included in the accompanying financial statements as a blended component unit. The Financing District is legally separate, but governed by the same board, therefore, the Center has the ability to impose its will over the Financing District. The Center acts as the fiscal agent for the Lake County School Financing District.

The Center is associated with five organizations, three jointly governed organization and two insurance purchasing pools. These organizations are the Lake Geauga Computer Association, Ohio Schools Council Association, East Shore Center, the Lake County Schools Council of Governments' Health Care Benefits Program and the Ohio School Boards Association Workers' Compensation Group Rating Plan. Information about these organizations is discussed in the notes to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03 (B) requires the Center's financial report to follow generally accepted accounting principles, the Center chooses to prepare its financial statements and notes in accordance with modified cash-basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The Center recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The Center also reports long term investments as assets, valued at fair value at the end of the fiscal year.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(CONTINUED)**

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

**A. FUND ACCOUNTING**

The Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Center classifies each fund as either governmental, proprietary or fiduciary.

**Governmental Funds**

The Center classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Center's major governmental funds:

**General Fund** - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

**IDEA Fund** - The IDEA fund accounts for grants to assist in providing an appropriate public education to all children with disabilities.

**Telecommunity Fund** - The Telecommunity fund accounts for Telecommunity grants from the Ohio Department of Education.

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

**Proprietary Funds**

Certain Center funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The Center classifies these as internal service funds.

**Internal Service Funds** – An internal service fund accounts for the financing of services provided by one department or agency to other Center departments or agencies or to other governments, on a cost reimbursement basis.

**Fiduciary Funds**

Trust funds are used to account for resources restricted by legally binding trust agreements which are held for individual, private organization or other governments. Funds for which the Center is acting in an agency capacity are classified as agency funds. The Center's agency funds account for Lake County Financing District and East Shore Center - Special Educational Regional Resources Center (SERRC). In addition, the Center has a private purpose trust fund, which accounts for educational awards.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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JUNE 30, 2004  
(CONTINUED)**

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

**B. BASIS OF PRESENTATION**

The Center's basic financial statements consist of a government-wide statement of activities, statement of net assets and fund financial statements providing more detailed financial information.

**Government-wide Financial Statement of Activities:** This statement displays information about the Center as a whole, except fiduciary funds. The statement of activities eliminates internal service fund activity to avoid reporting those transactions twice.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the Center's governmental activities. Cash disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions.

The comparison of direct disbursements with program receipts identifies the extent to which governmental function is self-financing on the modified cash basis or draws from the Center's general receipts.

**Fund Financial Statements:** The fund financial statements report more detailed information about the Center. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. The proprietary fund statement combines all internal service funds into a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services.

Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**C. BUDGETARY DATA**

Based on the requirements of Section 3317.11, Ohio Revised Code, the budgetary process described below applies specifically to the Lake County Educational Service Center and is not applicable to the Lake County School Financing District.

The Center is required by State statute to adopt an annual appropriation budget for all fund types except agency funds. The specific timetable is as follows:

The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, part (B) includes the cost of all other lawful expenditures of the Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Center), and Part (C) includes the adopted appropriation resolution.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(CONTINUED)**

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

**C. BUDGETARY DATA**

The Center's Board adopts an annual appropriation resolution which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object level within funds.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Educational Service Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from the prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation amounts passed by the Board during the fiscal year.

Net Change in Fund Balances

	General Fund	IDEA Fund	Telecommunity Fund
	<u>          </u>	<u>          </u>	<u>          </u>
Cash basis	\$ 687	\$ (21,337)	\$ 76,058
Adjustment for encumbrances	(41,756)	(8,412)	(11,663)
	<u>          </u>	<u>          </u>	<u>          </u>
Budget Basis	<u>\$ (41,069)</u>	<u>\$ (29,749)</u>	<u>\$ 64,395</u>

Based on the requirements of Chapter 5705, Revised Code, the budgetary process described below applies specifically to the Lake County School Financing District and is not applicable to the Lake County Educational Service Center.

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by January 20 of each year, for the period July 1 to June 30 fiscal year.



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

**C. BUDGETARY DATA (CONTINUED)**

The county budget commission certifies its actions to the Center by March 1. As part of this certification, the Center receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the Center must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying general-purpose financial statements do not include July 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

By the June Board meeting, the temporary annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as approved by the Board and the total of expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or later object appropriations within functions must be approved by the Board of Education.

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. The Board legally enacted all supplemental appropriations during fiscal 2003-2004.

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control.

**D. CASH AND CASH EQUIVALENTS**

To improve cash management, cash received by the Center is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through Center records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to STAR Ohio, the State Treasurer's Investment Pool, and the Centennial Government Trust mutual fund. All investments of the Center had a maturity of two years or less. Investments are reported at fair value, which is based on quoted market prices.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

**D. CASH AND CASH EQUIVALENTS (CONTINUED)**

The Center has invested funds in the State Treasurer's Assets Reserve (STAR Ohio) during fiscal year 2004. 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 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 Center has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$ 6,171.

**E. CAPITAL ASSETS**

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

**F. UNPAID VACATION AND SICK LEAVE**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the Educational Service Center.

**G. INTERFUND TRANSACTIONS**

During the course of normal operations, the Center has numerous transactions between funds, including expenditures and transfers of resources to provide services and improves assets. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances or equity contributions is based on the intent of the Center at the time of the transaction.

**H. FUND BALANCE RESERVES**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances. The unreserved portions of fund equity reflected for the Governmental Fund Types are available for use within the specific purposes of those funds.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

**I. RESTATEMENT OF FUND BALANCES**

For fiscal year 2004, the Center changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to the modified cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This change had the following effect on fund balances and net assets as previously reported:

	<u>General</u>	<u>IDEA</u>	<u>Tele- Community</u>	<u>Non-major</u>	<u>Total Govern- mental Activities</u>
Fund balances, June 30, 2003	\$1,651,262	\$143,609	\$ 7,370	\$228,859	\$2,031,100
Prior period adjustment	<u>(1,557,655)</u>	<u>60,837</u>	<u>9,091</u>	<u>74,347</u>	<u>(1,413,380)</u>
Restated fund balances, June 30, 2003	\$ 93,607	\$204,446	\$ 16,461	\$303,206	\$ 617,720
 GASB 34 Adjustments: Internal Service Fund net assets (as restated)					 <u>399,140</u>
 Governmental activities net assets June 30, 2003					 <u>\$1,016,860</u>

	<u>Internal Service Fund</u>	<u>Private Purpose Trust Fund</u>
Net assets as of June 30, 2003	\$ 267,493	\$ 634
Prior period adjustment	<u>131,647</u>	<u>--</u>
Net assets restated, June 30, 2003	<u>\$ 399,140</u>	<u>\$ 634</u>

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, as security for repayment by surety company bonds deposited with the Treasurer by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Bank, Federal Farm Credit Bank, Federal Home 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 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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(CONTINUED)**

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

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 Center, and must be purchased with the expectation that it will be held until maturity.

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

At June 30, 2004, the Center's internal service fund had a balance of \$ 226,306 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool (See Note 11). The money is held by the claims servicer in a pooled account which is representative of numerous entities and, therefore, cannot be classified by risk under GASB No. 3. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent. To obtain financial information, write to the Treasurer, 30 South Park Place, Suite 320, Painesville, Ohio 44077.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement No. 3.

Deposits - At fiscal year end, the carrying amount of the Center's deposits was (\$ 437,395) and the bank balance was \$ 313,576. \$ 100,000 of the bank balance was covered by federal depository insurance. Although any securities serving as collateral were held by the pledging financial institutions' trust department or agent not in the Center's name and all state statutory requirements for the deposit of money have been followed, noncompliance with federal requirements would potentially subject the Center to a successful claim by the Federal Deposit Insurance Corporation.

Investments - Investments made by the Center as of June 30, 2004 are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- |            |                                                                                                                                          |
|------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Category 1 | Insured or registered, with investments held by the Center or its agents in the Center's name.                                           |
| Category 2 | Uninsured and unregistered, with investments held by the counterparty's trust department or agent in the Center's name.                  |
| Category 3 | Uninsured and unregistered, with investments held by the counterparty, or by its trust department or agent but not in the Center's name. |

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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(CONTINUED)**

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

	Carrying Value	Fair Value
Centennial Government Trust (Category 2)	\$ 77,368	\$ 77,368
STAR Ohio	<u>1,143,846</u>	<u>1,143,846</u>
	<u>\$1,221,214</u>	<u>\$ 1,221,214</u>

STAR Ohio and Centennial Government Trust are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**4. LAKE COUNTY SCHOOL FINANCING DISTRICT**

The Lake County Educational Service Center has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Lake County Educational Service Center acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member Districts each of such Member District's proportionate share of that tax settlement. Each Member District's proportionate share is a fraction, the numerator being the Member District's total pupil population and the denominator being the aggregate pupil population of all Member Districts as of that date.

**5. CAPITALIZED LEASE - EQUIPMENT**

The Center has entered into a capitalized lease for the acquisition of a copier. The terms of the agreement provide an option to purchase the equipment. The 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 risk of ownership to the lessee at the conclusion of the lease term.

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004:

<u>Year Ending June 30</u>	<u>Amount</u>
2005	1,041
2006	1,041
2007	<u>260</u>
Total payments	2,342
Less: amount representing interest	<u>181</u>
Present value of minimum lease payments	<u>\$ 2,161</u>

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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(CONTINUED)**

**6. COMPENSATED ABSENCES**

The criteria for determining vesting vacation and sick leave components is derived from negotiating agreements and state laws. In summary, the components of vesting are as follows:

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not eligible unless stated in contract	Per contract	10-25 days depending on length of service after 1 year of service
Maximum Accumulation	Not applicable unless stated in contract	Non-cumulative except superintendent maximum 60 days	Non-cumulative
Vested	Not applicable or as earned	As earned	As earned
Termination Entitlement	Not applicable or paid upon termination	Paid upon termination or separation	Paid upon termination or separation
 <u>Sick Leave</u>			
How earned	1-1/4 days per month of employment (15 days per year)	1-1/4 days per month of employment (15 days per year)	1-1/4 days per month of employment (15 days per year)
Maximum Accumulation	180 days	180 days	180 days
Vested	As earned	As earned	As earned
Termination Entitlement	1/4 of accumulated sick leave up to 180 days	1/4 of accumulated sick leave up to 180 days	1/4 of accumulated sick leave up to 180 days

**7. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System** - The Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$ 125,620, \$ 126,340, and \$ 99,057, respectively; 100 percent has been contributed for fiscal years 2004, 2003 and 2002.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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**7. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**State Teachers Retirement System** - The Center participates in 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 STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 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 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 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 Center's required contributions for pension obligations to the DB Plan for the fiscal year ended June 30, 2004, 2003, and 2002 were \$ 641,622, \$ 449,348, and \$ 304,914, respectively; 100 percent has been contributed for fiscal years 2004, 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$ 20,729 made by the Center and \$ 35,203 made by the plan members.



**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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**8. POST EMPLOYMENT BENEFITS**

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the 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 Center, this amount equaled \$ 49,356 for fiscal year 2004.

STRS 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 were \$ 268,739,000 and STRS had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll a decrease of .92 percent from fiscal year 2003. 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 Center, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$ 67,854.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$ 223,443,805 and the target level was \$ 335.2 million. At June 30, 2004, SERS had net assets available for payment to health care benefits of \$ 300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**9. CONTINGENT LIABILITIES**

Grants - The Center receives financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Center at June 30, 2004.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(CONTINUED)**

**10. JOINTLY GOVERNED ORGANIZATIONS**

The Lake Geauga Computer Association is a jointly governed organization consisting of 18 school districts in Lake, Geauga and Cuyahoga Counties. This jointly governed 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 districts. The executive committee consists of the member elected superintendents from participating school districts. The degree of control exercised by any participating school Center is limited to its voting rights as a general member of the network. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting and designation management. All the consortium revenues are generated from charges for services and State funding. Financial information can be obtained from Lake Geauga Computer Association, 8221 Auburn Road, Painesville, OH 44077.

The Ohio Schools Council Association (Council) is a jointly governed organization among eight-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school Center is limited to its representation on the Board. In fiscal year 2004, the Center made no payments to the Council. Financial information can be obtained by contacting the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Independence, OH 44131.

The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen (16) member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. During fiscal year 2004, the Center made no contribution to the East Shore Center. Financial information can be obtained by writing the fiscal agent, Lake County Educational Service Center, 30 South Park Place, Suite 30, Painesville, Ohio 44077.

**11. CLAIMS SERVICING POOL**

**Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program** – The Center participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a claims servicing pool, comprised of eleven members. Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five member Board of Directors elected from the HCBP's assembly. All participating members retain their risk and the Plan acts as the claims servicing agent.

**12. OSBA GROUP RATING PROGRAM**

The 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 Ohio School Boards Association. 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.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(CONTINUED)**

**12. OSBA GROUP RATING PROGRAM (CONTINUED)**

The intent of the GRP is to achieve the benefit of a reduced premium for the 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. Participating 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.

**13. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The Center is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**14. REVENUES**

The Lake County Educational Service Center is funded by the State Board of Education from State funds for the cost of part (A) of the budget. Part (B) of the budget is funded \$ 38.50 in the following way: \$ 6.50 times the ADM (total number of pupils under the Center's supervision) is apportioned by the State Board of Education among the local school districts to which the Center provides services from payments made under the State's foundation program. Simultaneously, \$ 32 times the sum of the ADM is paid by the State Board of Education from State funds of the Center.

If additional funding is required and if a majority of the boards of education of the local school districts approve, the cost of Part (B) of the budget that is in excess of \$ 38.50 times the ADM approved by the State Board of Education is apportioned to the local school districts through reductions in their state foundation. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

The Lake County School Financing District's source of revenue is derived from property taxes. The Lake County Treasurer collects property tax on behalf of all the taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected.

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**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. Department of Health and Human Services:</b>				
<i>Passed Through the Ohio Department of MRDD</i>				
State Children's Insurance Program (SCHIP)	NA	93.767	\$ 16,692	\$ 16,692
Medical Assistance Program (CAFS)	N/A	93.778	144,698	144,698
<b>Total U.S. Department of Health and Human Services</b>			<u>161,390</u>	<u>161,390</u>
<b>U.S. Department of Education</b>				
<i>Passed Through the Ohio Department of Education</i>				
<i>Special Education Cluster:</i>				
IDEA Grant	6BSI-2003-P	84.027	0	144,304
IDEA Grant	6BSI-2004-P	84.027	853,117	680,985
Disabled Programs	6BSA-2003-P	84.027	0	43,230
Alternative Assessment	6BAA-2003-P	84.027	12,500	18,435
<b>Total Special Education Cluster</b>			<u>865,617</u>	<u>886,954</u>
Safe and Drug Free Schools	T4S1-2003	84.184	0	693
Safe and Drug Free Schools	T4S1-2004	84.184	23,005	8,482
<b>Total Safe and Drug Free Schools</b>			<u>23,005</u>	<u>9,175</u>
Title I Grant to Local Educational Agencies		84.010	0	26
<b>Total Title I Grant to Local Educational Agencies</b>			<u>0</u>	<u>26</u>
<b>Total U.S. Department of Education</b>			<u>888,622</u>	<u>896,155</u>
<b>Total Federal Assistance</b>			<u>\$ 1,050,012</u>	<u>\$ 1,057,545</u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Center's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require the Center contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

CFDA - Catalog of Federal Domestic Assistance



## Auditor of State Betty Montgomery

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

Lake County Educational Service Center  
Lake County  
30 South Park Place  
Suite 320  
Painesville, Ohio 44077

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake County Educational Service Center, Lake 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 July 28, 2006, wherein we noted the Center utilized a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B) and restated fund balances. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Center's management dated July 28, 2006, we reported other matters involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Center's management dated July 28, 2006, we reported another matter related to noncompliance we deemed immaterial.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We intend this report solely for the information and use of the audit committee, management, the Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 28, 2006





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lake County Educational Service Center  
Lake County  
30 South Park Place  
Painesville, Ohio 44077

To the Members of the Board:

#### Compliance

We have audited the compliance of the Lake County Educational Service Center, Lake County, Ohio, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal programs. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Lake County Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report which is described in the accompanying schedule of findings as item 2004-002. In a separate letter to the Center's management dated July 28, 2006, we reported another matter related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 28, 2006

LAKE COUNTY EDUCATIONAL SERVICE CENTER  
 LAKE COUNTY  
 SCHEDULE OF FINDINGS  
 OMB CIRCULAR A-133 §.505  
 JUNE 30, 2004

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
(d)(1)(i)	<b><i>Type of Financial Statement Opinion</i></b>	Unqualified
(d)(1)(ii)	<b><i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i></b>	No
(d)(1)(ii)	<b><i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i></b>	No
(d)(1)(iii)	<b><i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i></b>	Yes
(d)(1)(iv)	<b><i>Were there any material internal control weakness conditions reported for major federal programs?</i></b>	No
(d)(1)(iv)	<b><i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i></b>	No
(d)(1)(v)	<b><i>Type of Major Programs' Compliance Opinion</i></b>	Unqualified
(d)(1)(vi)	<b><i>Are there any reportable findings under Sec. .510?</i></b>	No
(d)(1)(vii)	<b><i>Major Programs (list)</i></b>	Special Education Cluster: Special Education (Grants to States), CFDA #84.027 & Medical Assistance Program CFDA #93.778
(d)(1)(viii)	<b><i>Dollar Threshold: Type A/B Programs</i></b>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<b><i>Low Risk Auditee?</i></b>	No

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2004  
(CONTINUED)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
-------------------------------------------------------------------------------------------------------------

Finding Number	2004-001
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Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Section 117.38.

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

We recommend the Center take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles and file the report with the Auditor of State within the above time limit.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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Finding Number	2004-002
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OMB Circular A-133 Section 300(e) provides that the auditee is responsible for appropriate submission of the audit reports to the appropriate government officials and organizations. OMB Circular A-133 Section 320(a) further provides that the audit report and data collection form must be submitted within the earlier of 30 days after the reports are received from the auditors, or nine months after the end of the audit period unless a longer period is agreed upon in advance by the cognizant or oversight agency.

No evidence was provided the Center had notified the cognizant or oversight agency when it became apparent that an audit report and data collection form would not be available within the prescribed reporting time.

We recommend diligent care be taken to ensure proper submission of audit report filings or notification to the oversight agency.

LAKE COUNTY EDUCATIONAL SERVICE CENTER  
 LAKE COUNTY  
 SCHEDULE OF PRIOR YEAR FINDINGS  
 JUNE 30, 2004

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2003-001	ORC 117.38 Filing Annual Report	No	Reissued as Finding Number 2004-001





**Auditor of State  
Betty Montgomery**

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**LAKE COUNTY EDUCATIONAL SERVICE CENTER**

**LAKE 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  
OCTOBER 10, 2006**